FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2017 (ORIGINALLY ISSUED IN TURKISH)

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FORD OTOMOTİV SANAYİ A.Ş.

BALANCE SHEETS
AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

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

	Notes	Current period Unaudited 30 September 2017	Previous period Audited 31 December 2016
Assets			
Current assets		**5.483.181**	**4.675.977**
Cash and cash equivalents	4	1.495.438	1.189.033
Trade receivables			
- Due from related parties	26	1.726.717	1.362.949
- Due from third parties	7	803.882	794.771
Other receivables			
- Due from third parties	8	6.035	504
Inventories	9	1.110.428	1.054.426
Prepaid expenses	12	189.622	59.011
Other current assets	16	151.059	213.526
Current tax assets	24	-	1.757
Non-current assets		**4.896.885**	**4.610.175**
Financial assets	5	14.201	18.756
Trade receivables			
- Due from third parties	7	2.144	1.464
Property, plant and equipment	10	3.330.321	3.302.745
Intangible assets	11	613.502	552.563
Prepaid expenses	12	347.278	178.333
Deferred tax assets	24	589.439	556.314
Total assets		**10.380.066**	**9.286.152**

These financial statements for the interim period 1 January – 30 September 2017 have been approved for issue by the Board of Directors on October 27, 2017.

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

FORD OTOMOTİV SANAYİ A.Ş.

BALANCE SHEETS
AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

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

	Notes	Current period Unaudited 30 September 2017	Previous period Audited 31 December 2016
Liabilities			
Current liabilities		**4.490.233**	**4.307.860**
Short- term borrowings			
- Bank borrowings	6	1.002.202	771.572
Short- term portion of long-term borrowings			
- Bank borrowings	6	648.514	576.703
Trade payables			
- Due to related parties	26	736.278	794.183
- Due to third parties	7	1.722.342	1.823.160
Other payables			
- Due to related parties	26	3.517	18.763
- Due to third parties	8	93.461	76.129
Deferred revenue	30	10.148	8.811
Short-term provisions			
- Other provisions	13	148.387	136.240
Employee benefit liabilities	15	123.192	102.299
Current tax liabilities	24	2.192	-
Non-current liabilities		**2.251.514**	**1.814.673**
Long-term borrowings			
- Bank borrowings	6	1.876.638	1.503.855
Long-term provisions			
- Provision for employment termination benefits	15	148.384	130.326
- Other provisions	13	126.240	100.115
Deferred revenue	30	4.722	4.757
Other non-current liabilities	31	95.530	75.620
Equity	**17**	**3.638.319**	**3.163.619**
Paid-in capital		350.910	350.910
Inflation adjustments on capital		27.920	27.920
Share premium		8	8
Other comprehensive income/ (loss) not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(14.681)	(14.019)
Other comprehensive income/ (loss) to be reclassified in profit or loss			
- Gains on remeasurements and/or reclassification of available- for- sale financial assets		12.563	16.890
- Losses on cash flow hedges		(436.327)	(336.189)
Restricted reserves		322.456	284.207
Retained earnings		2.395.606	1.878.584
Net profit for the period		979.864	955.308
Total liabilities and equity		**10.380.066**	**9.286.152**

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENTS OF PROFIT OR LOSS
FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

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

	Notes	Unaudited 1 January 2017 - 30 September 2017	Unaudited 1 January 2016 - 30 September 2016	Unaudited 1 July 2017 - 30 Septemberl 2017	Unaudited 1 July 2016 - 30 September 2016
Continued operations					
Revenue	18	17.138.240	12.639.771	5.485.632	3.839.934
Cost of sales	18	(15.338.251)	(11.187.775)	(4.857.549)	(3.381.816)
Gross profit		**1.799.989**	**1.451.996**	**628.083**	**458.118**
Marketing expenses	19	(351.008)	(298.618)	(118.422)	(92.232)
General administrative expenses	19	(175.304)	(141.806)	(61.409)	(40.380)
Research and development expenses	19	(221.638)	(284.382)	(74.089)	(128.137)
Other income from operating activities	21	265.249	150.566	103.298	63.366
Other expenses from operating activities	21	(188.838)	(134.225)	(57.095)	(38.059)
Profit from operating activities		**1.128.450**	**743.531**	**420.366**	**222.676**
Income from investing activities	29	363	422	-	-
Expenses from investing activities	29	(1.685)	(1.982)	(205)	(828)
Operating profit before financial income/ (expense)		**1.127.128**	**741.971**	**420.161**	**221.848**
Financial income	22	268.311	237.901	90.471	75.545
Financial expenses	23	(408.953)	(323.692)	(154.464)	(117.477)
Profit before tax from continued operations		**986.486**	**656.180**	**356.168**	**179.916**
Tax income/ (expense) from continued operations		**(6.622)**	**(18.158)**	**(10.222)**	**(5.997)**
- Current tax expenses	24	(14.319)	(15.854)	(4.676)	(700)
- Deferred tax income/ (expenses)	24	7.697	(2.304)	(5.546)	(5.297)
Net profit from continued operations		**979.864**	**638.022**	**345.946**	**173.919**
Earnings per share with a nominal value Kr 1	**25**	**2,79 Kr**	**1,82 Kr**	**0,99 Kr**	**0,50 Kr**

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

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

	Notes	Unaudited 1 January 2017 - 30 September 2017	Unaudited 1 January 2016 - 30 September 2016	Unaudited 1 July 2017 - 30 September 2017	Unaudited 1 July 2016 - 30 September 2016
Net profit		**979.864**	**638.022**	**345.946**	**173.919**
Other comprehensive income					
Other comprehensive income not to be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	17	(828)	(9.064)	(2.285)	(5.587)
Other comprehensive income tax not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	17	166	1.813	457	1.117
Other comprehensive income to be reclassified to profit or loss					
(Losses) / gains on remeasurements or reclassification adjustments on available-for-sale financial assets	17	(4.555)	1.786	(1.377)	773
(Losses) / gains on cash flow hedges	17	(125.172)	(54.220)	(45.227)	(72.785)
Other comprehensive income taxes to be reclassified to profit or loss					
Taxes relating to gains/ (losses) on remeasurements or reclassification adjustments on available- for- sale financial assets	17	228	(89)	69	(38)
Taxes relating to cash flow hedges	17	25.034	10.843	9.045	14.557
Other comprehensive (loss)/ income		**(105.127)**	**(48.931)**	**(39.318)**	**(61.963)**
Total comprehensive income		**874.737**	**589.091**	**306.628**	**111.956**

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

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

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

				Other comprehensive income to be reclassified in profit or loss		**Other comprehensive income not to be reclassfied in profit or loss**		**Retained earnings**		
	Paid-in capital	**Inflation adjustments on capital**	**Share premium**	**Gains/(losses) on remeasurements and/or reclassification of avaible-for-sale financial assets**	**Cash flow hedge reserve**	**Gains/(losses) on remeasurements of defined benefit plans**	**Restricted reserves**	**Retained earnings**	**Net profit**	**Total equity**
Balances at January 1, 2016	**350.910**	**27.920**	**8**	**11.066**	**(154.408)**	**(1.652)**	**438.411**	**1.545.689**	**841.911**	**3.059.855**
Profit for the period	-	-	-	-	-	-	-	-	638.022	638.022
Other comprehensive income/ (loss)	-	-	-	1.697	(43.377)	(7.251)	-	-	-	(48.931)
Total comprehensive income	-	-	-	1.697	(43.377)	(7.251)	-	-	638.022	589.091
Transfers	-	-	-	-	-	-	33.336	808.575	(841.911)	-
Dividends paid (Note 17)	-	-	-	-	-	-	-	(350.910)	-	(350.910)
Balances at September 30, 2016	**350.910**	**27.920**	**8**	**12.763**	**(197.785)**	**(8.903)**	**471.747**	**2.003.354**	**638.022**	**3.298.036**
Balances at January 1, 2017	**350.910**	**27.920**	**8**	**16.890**	**(336.189)**	**(14.019)**	**284.207**	**1.878.584**	**955.308**	**3.163.619**
Profit/ (loss) for the period	-	-	-	-	-	-	-	-	979.864	**979.864**
Other comprehensive income/ (loss)	-	-	-	(4.327)	(100.138)	(662)	-	-	-	**(105.127)**
Total comprehensive income	-	-	-	(4.327)	(100.138)	(662)	-	-	979.864	**874.737**
Transfers	-	-	-	-	-	-	38.249	917.059	(955.308)	-
Dividends paid (Note 17)	-	-	-	-	-	-	-	(400.037)	-	**(400.037)**
Balances at September 30, 2017	**350.910**	**27.920**	**8**	**12.563**	**(436.327)**	**(14.681)**	**322.456**	**2.395.606**	**979.864**	**3.638.319**

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

STATEMENTS OF CASH FLOW
FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2017 AND 2016

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

	Notes	Current period Unaudited 30 September 2017	Previous period Unaudited 30 September 2016
Cash flows generated from/ (used in) operating activities		**952.132**	**472.589**
Net profit for the period		979.864	638.022
Adjustments to reconcile profit for the period		**748.116**	**613.694**
Adjustments for depreciation and amortisation expense	10,11	353.128	338.875
Adjustments for impairment loss of inventories	9	(1.467)	455
Adjustments for provisions related with employee benefits		46.491	18.005
Adjustments for lawsuit and/ or penalty provisions	13	9.470	2.355
Adjustments for warranty provisions	13	104.801	92.661
Adjustments for other provisions		1.677	8.815
Adjustments for dividend income	29	(351)	(422)
Adjustments for interest income	22	(50.507)	(15.460)
Adjustments for interest expense	23	31.514	31.752
Adjustments for tax expenses	24	6.622	18.158
Adjustments for unearned financing income	21	(91.370)	(69.292)
Adjustments for deferred financing expense	21	120.628	89.947
Adjustments for gain/ (loss) on sales of property, plant and equipment	29	1.673	1.982
Other adjustments for which cash effects are investing or financing cash flow		215.806	95.863
Changes in working capital		**(649.192)**	**(634.284)**
(Increase) / decrease in trade receivable		(376.321)	217.220
(Increase) / decrease in inventories		(67.518)	(497.938)
(Increase) / decrease in prepaid expenses		(130.611)	(71.610)
Increase/ (decrease) in trade payable		(154.976)	(308.517)
(Increase) / decrease in other assets		56.936	(10.238)
Increase/ (decrease) in other payables		23.298	36.799
Cash flows generated from/ (used in) operations		**1.078.788**	**617.432**
Interest paid		(117.866)	(96.820)
Interest received		87.623	72.112
Payments related with provisions for employee benefits	15	(8.366)	(10.826)
Payments related with other provisions		(77.677)	(88.162)
Taxes paid		(10.370)	(21.147)
Cash flows used in investing activities		**(593.131)**	**(437.439)**
Proceeds from sales of property, plant and equipment		1.112	6.880
Purchase of property, plant and equipment		(306.731)	(305.128)
Purchase of intangible assets		(118.918)	(73.480)
Cash advances given		(168.945)	(66.133)
Dividends received		351	422
Cash flows used by financing activities		**(52.596)**	**(408.339)**
Proceeds from borrowings		2.113.776	1.325.005
Repayment of borrowings		(1.779.532)	(1.362.142)
Dividends paid	17	(400.037)	(350.910)
Interest paid		(37.310)	(35.752)
Interest received		50.507	15.460
Net increase/ (decrease) in cash and cash equivalents		**306.405**	**(373.189)**
Cash and cash equivalents at the beginning of the period		**1.189.033**	**980.361**
Cash and cash equivalents at the end of the period	**4**	**1.495.438**	**607.172**

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

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

NOTE 1 - ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a Cargo truck plant and engines and powertrain plant which manufactures for trucks and Transit vehicles.

Additionally, the Company has a spare part distribution warehouse, sales and marketing departments and a research and development (R&D) centre located in Sancaktepe, İstanbul.

The number of the personnel employed with respect to categories by the Company as of period ends are as follows:

	Average		Year End	
	2017 September	**2016 September**	**2017 September**	**2016 December**
Blue Collar	7.943	7.921	8.653	7.561
White Collar	2.667	2.762	2.644	2.700
Total	**10.610**	**10.683**	**11.297**	**10.261**

Research and development operations which are also subject to service export is conducted with 1.182 employees in Sancaktepe branch, conducted with 244 employees in R&D centre in Kocaeli plant, and conducted with 84 employees in R&D centre in Eskişehir İnönü plant, totally 1.510 employees as of September 30, 2017 (December 31, 2016: 1.585).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying interim financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TAS, Turkish Accounting Standards, comprise of Turkish Financial Reporting Standards, its appendix and interpretations.

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

2.1 Basis of presentation (Continued)

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 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 issued by the CMB ("CMB Financial Reporting Standards"). The Company's financial statements have been prepared in accordance with this decision.

Except for the financial assets and derivative instruments measured at fair value, the financial statements are prepared on a historical cost basis.

Company's functional and presentation currency is accepted as TL.

Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The statement of financial position of the Company at September 30, 2017 has been provided with the comparative financial information of December 31, 2016 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, and September 30, 2017 have been provided with the comparative financial information, for the period between January 1, 2016 and December 31, 2016.

In order to be consistent with the financial statements of current period, other current assets have been decreased by TL 1.757 the same amount have been reclassified under current tax assets accordingly.

2.2 Amendments and interpretations in the standarts

The new standards, amendments and interpretations

The Company has applied the new and revised standards and interpretations issued by the KGK as of January 1, 2017 and related to its own activity.

(a) The new standards, amendments and interpretations which are effective as at 30 September 2017 are as follows:

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

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

2.2 Amendments and interpretations in the standarts (Continued)

- Annual improvements 2014-2016; TFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

(b) Standards, amendments and interpretations effective after 30 September 2017

- Amendments to IFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.

- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

2.2 Amendments and interpretations in the standarts (Continued)

- Amendments to IFRS 4, "Insurance contracts" regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

- Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

- Amendment to IAS 40, "Investment property" relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

  - IFRS 1, "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- IFRS 22, "Foreign currency transactions and advance consideration", effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- IFRS 17 "Insurance Contracts" is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounting of all entities that issue investment contracts with voluntary participation features.

- TFRS Comment 23 "Uncertainties in taxation" are effective for annual reporting periods beginning on or after 1 January 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee clarified that if uncertainty in tax practices had previously been applied, the uncertainty should apply to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' standard instead of IAS 12.

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

2.2 Amendments and interpretations in the standarts (Continued)

TFRS Comment 23 provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainty arises when a tax application by a company is unknown to the tax authority. For example, especially if an expense is recognized as a deduction or if the tax return is uncertain in the tax statement regarding whether or not to include a certain amount in the tax calculation. TFRS Comment 23 is a vague tax practice is uncertain; taxable income, expense, asset or liability, tax base, tax rate, and tax rates.

The Company will evaluate the effects of the above amendments on its operations and will apply them from the effective date.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short- term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

Trade receivables and allowance for trade receivables

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short- term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain/ loss and credit finance income of trade receivables are classified under "other operating income/ expense".

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, and their performance after the statement of the financial position date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

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

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

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

2.2 Summary of significant accounting policies (Continued)

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to operating income in the current period. The Company collects receivables arising from domestic vehicles and spare parts sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates (Notes 7 and 26).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 9).

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26). Foreign exchange gain/ loss and credit finance charges of trade payables are classified under "other operating income/ expense".

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14,5- 30 years
Buildings	14,5- 36 years
Machinery and equipment	5- 25 years
Moulds and models	Project lifetime
Furniture and fixtures	4- 14,5 years
Motor vehicles	9- 15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/ expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

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

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2 (Research and development expenses) (Note 11).

The estimated useful lifetimes of such assets are as follows:

Rights	3- 5 year
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 year

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of profit or loss. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Financial assets

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available- for- sale. These are included in non- current assets unless management has the express intention of holding the investments for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available- for- sale financial assets are subsequently measured at fair value. Available- for- sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models.

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

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". Unrealised gains and losses arising from changes in the fair value of available-for-sale debt securities are the differences between the fair value of such securities and their amortised costs at the reporting date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are transferred to the income statement. If the difference between the cost and the fair value of the available- for- sale securities is permanent, gains and losses are transferred to the income statement.

Interest and dividends associated to the available- for- sale financial assets are accounted under corresponding interest income and dividend income accounts.

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 29).

Taxes on income

Taxes include current period income taxes and deferred taxes.

<u>Current period income tax</u>

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

<u>Deferred tax</u>

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

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

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

Current and deferred tax

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items are also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

Revenue recognition

Sales of goods and services

Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity.

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 31). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period (Note 30). For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms.

Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Notes 18 and 21).

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

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

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend.

Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey ("TCB") exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income / expenses and financial income/expense in the statement of profit or loss (Notes 21, 22, 23 and 27).

Foreign currency exchange rates used by the Company at the time of statement of financial position dates are as follows:

	TL/ USD	TL/ Euro	TL/ GBP
30 September 2017	**3,5521**	**4,1924**	**4,7478**
31 December 2016	3,5192	3,7099	4,3189
30 September 2016	2,9959	3,3608	3,8909

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 7).

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

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

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as available- for- sale. The Company limits the available- for- sale financial assets in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 80 million and factoring agreement amounting to Euro 125 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

Funding risk

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

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into local currency. This risk is monitored by key management personnel through Early Determination of Risk and Management Committee and regular Board of Director's meetings.

Excess cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimize the statement of financial position foreign exchange exposure. In addition to this, distribution of the amount of the export orientated production and sales in the related months can increase the foreign assets (Note 27).

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

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

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to tangible capital ratio". This ratio is calculated as net financial debt divided by tangible capital. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents, whereas tangible equity is calculated as equity, as shown in the statement of financial position minus intangible assets. According to the decision of Company management, this ratio is expected not to exceed 1, 25.

	30 September 2017	**31 December 2016**
Net financial debt	2.031.916	1.663.097
Tangible equity	3.024.817	2.611.056
Net financial debt/ tangible equity ratio	**0,67**	**0,64**

Fair value of financial instruments

The Company measures derivatives and available for sale financial assets at fair value at each reporting date. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Monetary financial assets

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short- term nature.

Monetary financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short- term nature.

Cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of a non- financial asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

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

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 6). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

Provision for employee benefits

a) Defined benefit plan

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviours stated in labour law, calculated in accordance with the Turkish Labour Law (Note 15). According to the amendments on TAS 19 "Employee Benefits", the actuarial (gain) / loss of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan

The Company has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date (Note 15).

c) Other employee benefits

"Long term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

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

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

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 13).

Warranty expenses provision

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 13).

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the Company,
- If there's a potential market or can be proved that it is used within the Company,
- If necessary technological, financial and other resources can be provided to complete the project.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 11).

Leasing – Accounting by lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight- line basis over the period of the lease.

Leasing – Accounting by lessor

Operational Leasing

Rental income from operating leases is recognized on a straight- line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight- line basis over the lease term.

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

Related parties

Parties are considered related to the company (reporting entity) if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entiy is related to a reporting entity if any of the following condition applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post- employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 26).

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 25).

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

Reporting of cash flows

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

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

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

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 4).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities (Note 13).

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 33).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or obtaining an asset that follows the settlement its liability.

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement.

2.4 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies and estimates or material errors are corrected retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current period and prospectively.

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

2.5 Significant accounting estimates and decisions

The preparation of financial statements require 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.

(a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15).

(b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7).

(c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9).

(d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts.

(e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13).

(f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of September 30, 2017 and December 31, 2016 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24).

(g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11).

(h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of September 30, 2017 and December 31, 2016, there is no impairment determined related to development costs in progress (Note 11).

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

NOTE 3 - SEGMENT REPORTING

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

NOTE 4 - CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for Euro denominated time deposits is 2,44% (December 31, 2016: 1,77%) and the weighted average interest rate for the TL time deposits is 14,20%, (December 31, 2016: 10,94%).

	30 September 2017	**31 September 2016**
Banks - foreign currency time deposits	841.674	751.600
Banks - TL time deposits	601.747	405.969
Banks - TL demand deposits	50.591	30.805
Banks - foreign currency demand deposits	1.426	659
	1.495.438	**1.189.033**

NOTE 5 - FINANCIAL ASSETS

	30 September 2017		**31 December 2016**	
	Ownership rate (%)	**Amount**	**Ownership rate (%)**	**Amount**
Available-for-sale financial assets:				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0,59	14.201	0,59	18.756
		14.201		**18.756**

(*) The Company's shareholding in Otokar was stated at market value at September 30, 2017 and December 31, 2016 which is assumed to approximate its fair value.

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

NOTE 6 - FINANCIAL LIABILITIES

Short- term borrowings:

	30 September 2017		31 December 2016	
	Effective interest rate (%)	TL Amount	Effective interest rate (%)	TL Amount
- Euro	0,84	860.118	0,92	630.804
- USD	2,17	142.084	1,96	140.768
		1.002.202		**771.572**
Short- term portion of long-term borrowings:				
- Euro	1,80	648.514	1,50	576.703
		648.514		**576.703**
Total short- term borrowings		**1.650.716**		**1.348.275**

Long-term borrowings:

	30 September 2017		31 December 2016	
	Effective interest rate (%)	TL Amount	Effective interest rate (%)	TL Amount
- Euro	1,65	1.876.638	1,57	1.503.855
		1.876.638		**1.503.855**

The payment schedules of long- term bank borrowings as of September 30, 2017 and December 31, 2016 are as follows:

Payment period	**30 September 2017 Total TL**	**31 December 2016 Total TL**
2018	256.175	578.550
2019	497.435	444.441
2020	453.519	274.403
2021	286.373	176.769
2022	173.515	29.692
2023	209.621	-
	1.876.638	**1.503.855**

The letters of bank guarantee given to financial institutions in connection with borrowings amount to TL 1.331.919 (December 31, 2016 - TL 1.188.529) (Note 13).

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	30 September 2017	31 December 2016
Short term trade receivables:		
Trade receivables	814.284	802.670
Doubtful receivables	4.533	4.533
Less: Unearned credit finance income	(10.402)	(7.899)
	808.415	**799.304**
Less: Provision for doubtful receivables	(4.533)	(4.533)
	803.882	**794.771**

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (December 31, 2016: 25 days), domestic sales of spare parts turnover is 70 days (December 31, 2016: 70 days) and discounted by 1,25% monthly effective interest rate (December 31, 2016: 0,96%).

The collection of receivables from export sales other than Ford Motor Company is kept under guarantee with letter of credit, letter of guarantee or upfront cash collection.

	30 September 2017	31 December 2016
Long term trade receivables:		
Deposits and guarantees given	2.144	1.464
	2.144	**1.464**

	30 September 2017	31 December 2016
Trade payables:		
Trade payables	1.735.238	1.832.582
Less: Unearned credit finance expense	(12.896)	(9.422)
	1.722.342	**1.823.160**

The average turnover of trade payables is 60 days (December 31, 2016: 60 days) and discounted by 1,25% monthly effective interest rate (December 31, 2016: 0.96%).

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of September 30, 2017 and December 31, 2016 is as follows:

	Trade receivables		Other receivables		
30 September 2017	**Related party**	**Other**	**Related party**	**Other**	**Deposit in bank**
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	1.726.717	803.882	-	6.035	1.495.438
- The maximum of credit risk covered by guarantees	160.000	802.208	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	1.698.956	801.968	-	6.035	1.495.438
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	-	-	-	-
Net book value of financial assets that are overdue but not impaired	27.761	1.914	-	-	-
- Amount of risk covered by guarantees	-	240	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4.533	-	-	-
- Provision for impairment (-)	-	(4.533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables		Other receivables		
31 December 2016	**Related party**	**Other**	**Related party**	**Other**	**Deposit in bank**
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	1.362.949	794.771	-	504	1.189.033
- The maximum of credit risk covered by guarantees	160.000	729.657	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	1.340.961	791.095	-	504	1.189.033
The carrying amount of financial assets whose terms have been renegotiated otherwise classified as overdue or impaired	-	-	-	-	-
Net book value of financial assets that are overdue but not impaired	21.988	3.676	-	-	-
- Amount of risk covered by guarantees	-	853	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4.533	-	-	-
- Provision for impairment (-)	-	(4.533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging schedule of receivables that are overdue but not impaired is as follows;

	Trade receivables	
30 September 2017	**Related party**	**Other**
1-30 days overdue	11.029	1.657
1-3 months overdue	7.514	-
3-12 months overdue	9.119	48
1-5 years overdue	99	209
	27.761	**1.914**
Risk covered by guarantees	-	240

The Company's overdue related party receivables are related to the long term engineering service bills and spare parts exports to Ford Motor Company.

	Trade receivables	
31 December 2016	**Related party**	**Other**
1-30 days overdue	10.169	3.456
1-3 months overdue	7.757	49
3-12 months overdue	1.901	171
1-5 years overdue	2.161	-
	21.988	**3.676**
Risk covered by guarantees	-	853

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	30 September 2017	**31 December 2016**
Other receivables		
Other miscellaneous receivables	6.035	504
	6.035	**504**

	30 September 2017	**31 December 2016**
Other payables		
Rent accruals	23.422	17.465
Donations and grants payable	18.721	-
Marketing and other expense accruals	15.999	-
Taxes and funds payable	12.246	43.609
Sales premium accruals	9.854	8.712
Other	13.219	6.343
	93.461	**76.129**

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

NOTE 9 - INVENTORIES

	30 September 2017	31 December 2016
Raw materials	285.012	304.206
Finished goods	302.483	289.056
Import vehicles	58.863	89.740
Vehicle spare parts	156.075	127.889
Spare parts	27.697	19.626
Goods in transit	268.172	200.055
Other	15.891	29.086
	1.114.193	**1.059.658**
Less: Provision for impairment of finished goods and vehicle spare parts	(3.765)	(5.232)
	1.110.428	**1.054.426**

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Company has accounted the expenses due to the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2017	2016
1 January	5.232	4.329
Change within the period	(1.467)	455
30 September	**3.765**	**4.784**

The Company has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision has been accounted under cost of sales (Note 18).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 December 2016	**Land**	**Land improvements**	**Buildings**	**Machinery & equipment**	**Models & moulds**	**Fixture & furniture**	**Vehicles(*)**	**Construction in progress**	**Total**
Cost	12.269	155.317	938.595	2.406.475	2.097.201	382.723	91.150	93.680	6.177.410
Accumulated depreciation	-	(71.313)	(370.831)	(1.145.067)	(1.053.373)	(219.873)	(14.208)	-	(2.874.665)
Net book value	**12.269**	**84.004**	**567.764**	**1.261.408**	**1.043.828**	**162.850**	**76.942**	**93.680**	**3.302.745**
For the period ended 30 September 2017									
Opening net book value	12.269	84.004	567.764	1.261.408	1.043.828	162.850	76.942	93.680	3.302.745
Additions	-	6.088	5.078	91.312	121.881	19.723	14.531	66.897	325.510
Transfers	-	48	5.482	13.721	3.669	-	5.133	(28.053)	-
Disposals	-	-	-	(8.904)	(1.608)	(351)	(3.030)	-	(13.893)
Depreciation charge	-	(4.368)	(23.592)	(104.975)	(129.983)	(24.707)	(7.524)	-	(295.149)
Disposals from accumulated depreciation	-	-	-	8.314	1.608	257	929	-	11.108
Closing net book value	**12.269**	**85.772**	**554.732**	**1.260.876**	**1.039.395**	**157.772**	**86.981**	**132.524**	**3.330.321**
30 September 2017									
Cost	12.269	161.453	949.155	2.502.604	2.221.143	402.095	107.784	132.524	6.489.027
Accumulated depreciation	-	(75.681)	(394.423)	(1.241.728)	(1.181.748)	(244.323)	(20.803)	-	(3.158.706)
Net book value	**12.269**	**85.772**	**554.732**	**1.260.876**	**1.039.395**	**157.772**	**86.981**	**132.524**	**3.330.321**

The Company compared the borrowing cost of investment loans in foreign currency to the TL market loan interest and foreign exchange differences and interest costs equal to an amount of TL 5.796 (December 31, 2016: TL 5.882) has been recognized under property, plant and equipment according to the cumulative approach within the context of TMS 23 as of September 30, 2017.

There is no collateral, pledge or mortgage on tangible assets as of September 30, 2017 and 2016.

(*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in "Vehicles" under Property, Plant and Equipment and their cost value amounts to TL 87.869 (December 31, 2016: TL 74.886).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Land	Land improvements	Buildings	Machinery & equipment	Models & moulds	Fixture & furniture	Vehicles(*)	Construction in progress	Total
Cost	12.269	150.449	905.799	2.287.633	1.941.079	344.843	74.226	45.465	5.761.763
Accumulated depreciation	-	(66.616)	(339.275)	(1.012.441)	(892.703)	(193.167)	(6.843)	-	(2.511.045)
Net book value	**12.269**	**83.833**	**566.524**	**1.275.192**	**1.048.376**	**151.676**	**67.383**	**45.465**	**3.250.718**
For the period ended 30 September 2016									
Opening net book value	12.269	83.833	566.524	1.275.192	1.048.376	151.676	67.383	45.465	3.250.718
Additions	-	2.892	5.064	75.167	122.501	31.280	34.472	60.028	331.404
Transfers	-	1.945	18.511	4.460	3.819	5	-	(28.740)	-
Disposals	-	(1.132)	(209)	(7.107)	(420)	(646)	(8.946)	-	(18.460)
Depreciation charge	-	(4.198)	(23.705)	(104.258)	(118.697)	(22.974)	(6.733)	-	(280.565)
Disposals from accumulated depreciation	-	919	30	6.968	420	520	743	-	9.600
Closing net book value	**12.269**	**84.259**	**566.215**	**1.250.422**	**1.055.999**	**159.861**	**86.919**	**76.753**	**3.292.697**
30 September 2016									
Cost	12.269	154.154	929.165	2.360.153	2.066.979	375.482	99.752	76.753	6.074.707
Accumulated depreciation	-	(69.895)	(362.950)	(1.109.731)	(1.010.980)	(215.621)	(12.833)	-	(2.782.010)
Net book value	**12.269**	**84.259**	**566.215**	**1.250.422**	**1.055.999**	**159.861**	**86.919**	**76.753**	**3.292.697**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation expense as of September 30, 2017 and 2016 is as follows:

	30 September 2017	30 September 2016
Cost of production (Note 18)	273.937	261.148
Research and development expenses (Note 19)	12.041	10.600
General administrative expenses (Note 19)	6.070	5.432
Marketing expenses (Note 19)	2.201	2.004
Associated with construction in progress	900	1.381
	295.149	**280.565**

NOTE 11 - INTANGIBLE ASSETS

31 December 2016	Rights	Development cost	Development cost in progress	Other	Total
Cost	40.354	653.879	129.107	6.484	829.824
Accumulated amortisation	(36.498)	(235.287)	-	(5.476)	(277.261)
Net book value	**3.856**	**418.592**	**129.107**	**1.008**	**552.563**
For the period ended 30 September 2017					
Opening net book value	3.856	418.592	129.107	1.008	552.563
Additions	6.045	-	111.986	887	118.918
Amortisation charge	(6.425)	(51.028)	-	(526)	(57.979)
Closing net book value	**3.476**	**367.564**	**241.093**	**1.369**	**613.502**
30 September 2017					
Cost	46.399	653.879	241.093	7.371	948.742
Accumulated amortisation	(42.923)	(286.315)	-	(6.002)	(335.240)
Net book value	**3.476**	**367.564**	**241.093**	**1.369**	**613.502**

There is no carrying amounts of fully depreciated intangible assets as of September 30, 2017.

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

As of 30 September 2017, there is no capitalized interest costs and foreign exchange differences in accordance with TMS 23 difference (December 31, 2016: None).

31 December 2015	**Rights**	**Development cost**	**Development cost in progress**	**Other**	**Total**
Cost	31.101	649.415	52.669	6.460	739.645
Accumulated amortisation	(29.106)	(165.992)	-	(4.827)	(199.925)
Net book value	**1.995**	**483.423**	**52.669**	**1.633**	**539.720**
For the period ended 30 September 2016					
Opening net book value	1.995	483.423	52.669	1.633	539.720
Additions	4.754	68.703	-	23	73.480
Amortisation charge	(5.801)	(52.022)	-	(487)	(58.310)
Closing net book value	**948**	**500.104**	**52.669**	**1.169**	**554.890**
30 September 2016					
Cost	35.855	718.118	52.669	6.483	813.125
Accumulated amortisation	(34.907)	(218.014)	-	(5.314)	(258.235)
Net book value	**948**	**500.104**	**52.669**	**1.169**	**554.890**

The allocation of amortisation charges relating to September 30, 2017 and 2016 is as follows:

	30 September 2017	**30 September 2016**
Cost of production (Note 18)	52.235	53.107
General administrative expenses (Note 19)	3.243	3.313
Research and development expenses (Note 19)	2.093	1.746
Marketing expenses (Note 19)	323	49
Associated with construction in progress	85	95
	57.979	**58.310**

NOTE 12 - PREPAID EXPENSES

Short-term prepaid expenses:	**30 September 2017**	**31 December 2016**
Advances given for inventories	174.017	53.091
Other prepaid expenses	15.605	5.920
	189.622	**59.011**

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

NOTE 12 - PREPAID EXPENSES (Continued)

Long term prepaid expenses:	**30 September 2017**	**31 December 2016**
Advances given for investments (*)	336.791	178.333
Other prepaid expenses	10.487	-
	347.278	**178.333**

(*) Advances given for investments are related to the Company's new vehicle investments. TL 235.266 (December 31, 2016: TL 133.801) is given to domestic vendors as mould advances and TL 101.525 (December 31, 2016: TL 44.532) is given for the new project investments.

NOTE 13 - PROVISION, CONTINGENT ASSETS AND LIABILITIES

The Company recognizes 2, 3 and 4 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the statement of financial position date and warranty claims of vehicles sold in previous years on a model basis.

Short-term provisions

	30 September 2017	**31 December 2016**
Warranty expense provision	104.037	93.567
Provisions for sales premium (*)	44.350	42.673
	148.387	**136.240**

(*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2).

Long-term provisions

	30 September 2017	**31 December 2016**
Warranty expense provision	80.888	60.820
Provisions for lawsuit	45.352	39.295
	126.240	**100.115**

The provisions for lawsuit risks relating to period is as follows:

	2017	**2016**
1 January	**39.295**	**39.395**
Paid during the period	(3.413)	(6.275)
Additions during the period	9.470	2.355
30 September	**45.352**	**35.475**

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

NOTE 13 - PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements in the warranty expense provision during the period is as follows:

	2017	2016
1 January	**154.387**	**101.615**
Paid during the period	(74.264)	(81.887)
Additions during the period (Note 19)	104.802	92.661
30 September	**184.925**	**112.389**

Letters of guarantee and letters of credit	**30 September 2017**	**31 December 2016**
Letters of guarantee given to financial institutions due to bank loans	1.331.919	1.188.529
Letters of guarantee given to customs	46.516	41.696
Letters of guarantees given to other parties	14.003	11.051
	1.392.438	**1.241.276**

Letters of guarantee given

	30 September 2017		**31 December 2016**	
	Original currency	**TL equivalent**	**Original currency**	**TL equivalent**
Euro	293.866	1.232.005	292.482	1.085.078
USD	40.013	142.130	40.013	140.814
TL	18.303	18.303	15.384	15.384
		1.392.438		**1.241.276**

The allocation of collaterals, pledges and mortgages as of September 30, 2017 and December 31, 2016 as follows:

Collaterals, pledges and mortgages given by the Company	**30 September 2017**	**31 December 2016**
A. Total amount of collaterals/pledges/mortages given for its own Legal entity	1.392.438	1.241.276
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/ pledges/ mortgages given		
i Total amount of collaterals/ pledges/ mortgages given for the parent company	-	-
ii. Total amount of collaterals/ pledges/ mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/ pledges/mortgages given for third parties that do not fall into C section	-	-
	1.392.438	**1.241.276**

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

NOTE 13 - PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of September 30, 2017 and December 31, 2016, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee received

	30 September 2017		31 December 2016	
	Original currency	TL equivalent	Original currency	TL equivalent
TL	111.669	111.669	73.006	73.006
Euro	15.977	66.981	7.169	26.596
USD	4.116	14.622	396	1.394
		193.272		**100.996**

Other

The long-term bank borrowing agreements related to the investments require the Company to comply with certain financial ratios. Such financial ratios are met by the Company as of September 30, 2017 and December 31, 2016.

NOTE 14 - COMMITMENTS

Commitments related with bank loans used by the Company are as follows:

a) Based on the 1 year credit agreements made by the Company in 2017, amounting to Euro 40.000.000 with Yapı Kredi and amounting to Euro 40.000.000 with İş Bankası A.Ş. totally Euro 80.000.000, the Company is required to ensure that its export proceeds up to an amount equal to Euro 80.000.000 is transacted through Yapı Kredi accounts and Euro 80.000.000 is transacted through İş Bankası totally Euro 160.000.000 for the year 2017.

b) Company, also from Türkiye İhracat Kredi Bankası A.Ş (Eximbank);

- With 8 months term credit amounting to USD 40.000.000 used in April 2017 an amount of USD 40.000.000 and
- With 8 months term credit amounting to Euro 35.000.000 used in May 2017 an amount of Euro 35.000.000 export is required to be ensured by the Company,
- With 8 months term credit amounting to Euro 35.000.000 used in June 2017 an amount of Euro 35.000.000 export is required to be ensured by the Company,
- With 8 months term credit amounting to Euro 105.000.000 used in September 2017 an amount of Euro 105.000.000 export is required to be ensured by the Company.

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

NOTE 14 - COMMITMENTS (Continued)

Operational lease commitments

Future lease payments regarding non- cancellable operating lease of the Company are as follows:

Operational lease commitments	**30 September 2017**	**31 December 2016**
Within 1 year	7.790	8.844
Between 1 year to 5 years	11.346	5.748
	19.136	**14.592**

NOTE 15 - EMPLOYEE BENEFITS

Liabilities for employee benefit obligations:

	30 September 2017	**31 December 2016**
Salaries and social charges payable	66.326	40.181
Social security premiums payable	43.803	36.991
Withholding income tax payable	10.768	22.989
Other	2.295	2.138
	123.192	**102.299**

Long term provision for employee benefits:

	30 September 2017	**31 December 2016**
Provision for employment termination benefits	126.611	110.025
Provision for unused vacation pay liability	21.773	20.301
	148.384	**130.326**

Provision for employment termination benefits:

There are no agreements for pension commitments other than the legal requirement as explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.732,48 (full TL) for each year of service as of July 1, 2017 (December 31, 2016: TL 4.297,21 full TL).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

NOTE 15 - EMPLOYEE BENEFITS (Continued)

TFRS requires actuarial valuation methods to be developed to estimate the Company's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability;

	30 September 2017	31 December 2016
Discount rate (%)	10,8	10,8
Expected salary increase rate (%)	6,0	6,0
Net discount rate	4,50	4,50
Turnover rate to estimate the probability of retirement (%)	**4,4**	**4,4**

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of TL 4.732,48 (full TL) which was effective as of July 1, 2017 (July 1 - December 31, 2016 - TL 4.297,21- full TL) has been used in the calculations.

Movements in the provision for employee benefits during the year are as follows:

	2017	2016
1 January	**110.025**	**87.579**
Interest cost	8.887	6.798
Current year service cost	15.237	9.333
Paid during the period	(8.366)	(10.826)
Remeasurement (gains) / losses	828	9.064
30 September	**126.611**	**101.948**

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of September 30, 2017 is below:

	Net discount rate		Turover rate related to the probability of retirement	
Sensitivity level	**%0,5 decrease**	**%0,5 increase**	**%0,5 decrease**	**%0,5 increase**
Rate (%)	(4,0)	(5,0)	95,14	96,14
Change in provision for employee benefits	6.951	(5.258)	(3.742)	5.372

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

NOTE 16 - OTHER CURRENT ASSETS

	30 September 2017	31 December 2016
VAT to be deductible (*)	138.081	196.050
Prepaid taxes and withholding	7.949	4.363
Other	5.029	13.113
	151.059	**213.526**

(*) The VAT to be deducted from the deduction includes the export VAT invoice for August and September 2017. VAT invoice amounting to TL 41 million for August 2017 was collected in October 2017.

NOTE 17 - EQUITY

The composition of the Company's paid- in capital as of September 30, 2017 and December 31, 2016 is as follows:

Shareholders	Share Group	30 September 2017	Shareholders percentage (%)	31 December 2016	Shareholders percentage (%)
Koç Holding A.Ş.	B	134.953	38,46	134.953	38,46
Temel Ticaret ve Yatırım A.Ş.	B	2.356	0,67	2.356	0,67
Ford Motor Company	C	143.997	41,04	143.997	41,04
Vehbi Koç Vakfı	A	3.559	1,01	3.559	1,01
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3.259	0,93	3.259	0,93
Other (Publicly Held)	A	62.786	17,89	62.786	17,89
Total		**350.910**	**100**	**350.910**	**100**
Inflation adjustment to share capital		**27.920**		**27.920**	
Inflation adjusted paid in capital		**378.830**		**378.830**	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35.091.000.000 unit of shares (December 31, 2016: 35.091.000.000 unit) with a nominal value of Kr 1 each.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid- in capital, under the TCC; the legal reserves can be used only to offset losses, unless legal reserve does not exceed at the rate of 50% of the paid- in capital.

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TL 322.456 as of September 30, 2017 (December 31, 2016 – TL 284.207).

NOTE 17 - EQUITY (Continued)

In accordance with Communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital'',
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings",

Other equity items shall be carried at the amounts calculated based on TAS. Adjustment to share capital has no use other than being transferred to paid- in share capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014. Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In accordance with the General Assembly Meeting dated as of March 23, 2017, the Company has decided to distribute dividends from the net profit of the year 2016, at the rate of 114% gross (96,90% net), with a total amount of TL 400.037 as full TL 1,14 gross (Kr 96,90 net) for each share with a value of full TL 1. The Company made the dividend payment in April 2017 (In April 2016, 100% of the gross TL 1 share (TL 85,00 Kr) will be TL 350.910 and in November 2016, the full TL 1 share will be TL 89,00 gross (net 75,65 Kr) amounting to TL 312.310; a total of 663.220 TL cash dividend was distributed).

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

NOTE 17 - EQUITY (Continued)

In accordance with Communiqué No: II-14,1, "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at September 30, 2017 and December 31, 2016 are as follows:

	30 September 2017	31 December 2016
Issued capital	350.910	350.910
Inflation adjustments on capital	27.920	27.920
Share premium	8	8
Gains on remeasurement and/or reclassification of available- for- sale financial assets	12.563	16.890
(Losses) on cash flow hedges	(436.327)	(336.189)
(Losses) on remeasurements of defined benefit plans	(14.681)	(14.019)
Restricted reserves	***322.456***	***284.207***
- Legal reserves	322.456	284.207
Retained earnings	***2.395.606***	***1.878.584***
- Inflation adjustment to equity	428.301	428.301
- Extraordinary reserves	1.967.305	1.450.283
Net income for the period	**979.864**	**955.308**
Total equity	**3.638.319**	**3.163.619**

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended September 30, 2017 and December 31, 2016 are as follows:

30 September 2017:	**Historical values**	**Adjusted values**	**Equity inflation adjustment differences**
Issued capital	350.910	378.830	27.920
Legal reserves	322.456	381.209	58.753
Extraordinary reserves	1.967.305	2.336.450	369.145
Share premium	8	361	353
Other reserves	-	50	50
	2.640.679	**3.096.900**	**456.221**

31 December 2016:	**Historical values**	**Adjusted values**	**Equity inflation adjustment differences**
Issued capital	350.910	378.830	27.920
Legal reserves	284.207	342.960	58.753
Extraordinary reserves	1.450.283	1.819.428	369.145
Share premium	8	361	353
Other reserves	-	50	50
	2.085.408	**2.541.629**	**456.221**

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

NOTE 17 - EQUITY (Continued)

Inflation adjustment difference in equity can be only utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in Borsa İstanbul are valued at their closing price as of September 30, 2017 and December 31, 2016. As of September 30, 2017, fair value change (negative) in the current period amounting to TL (4.327) net of deferred tax, (December 31, 2016: TL 5.824) is shown in statement of comprehensive income.

The net of tax effects of the changes under the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2017	**2016**
1 January	**(333.318)**	**(144.994)**
(Losses) / gains on remeasurement and/ or reclassification of available- for sale financial assets	(4.327)	1.697
(Losses) on remeasurement of defined benefit plans	(662)	(7.251)
(Losses) on cash flow hedges	(100.138)	(43.377)
30 September	**(438.445)**	**(193.925)**

NOTE 18 - REVENUE AND COST OF SALES

	1 January-30 September 2017	**1 January-30 September 2016**	**1 July-30 September 2017**	**1 July-30 September 2016**
Export sales	12.410.717	8.720.072	3.735.195	2.663.254
Domestic sales	5.186.737	4.413.723	1.923.827	1.308.175
Other sales	85.011	52.414	29.718	16.071
Less: Discounts	(544.225)	(546.438)	(203.108)	(147.566)
	17.138.240	**12.639.771**	**5.485.632**	**3.839.934**

Units of vehicle sales:

	1 January - 30 September2017			**1 January - 30 September 2016**		
	Domestic sales	**Export sales**	**Total sales**	**Domestic sales**	**Export sales**	**Total sales**
Transit Custom	4.972	112.269	117.241	4.667	92.804	97.471
Transit	18.236	73.614	91.850	18.062	70.421	88.483
Transit Courier	22.265	24.685	46.950	23.565	24.728	48.293
Passenger vehicles	22.779	444	23.223	24.136	309	24.445
Cargo	3.259	625	3.884	3.472	461	3.933
Ranger	1.600	32	1.632	1.107	10	1.117
New Transit Connect	1.259	26	1.285	2.159	2	2.161
	74.370	**211.695**	**286.065**	**77.168**	**188.735**	**265.903**

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

NOTE 18 - REVENUE AND COST OF SALES (Continued)

	1 July - 30 September 2017			1 July - 30 September 2016		
	Domestic sales	**Export sales**	**Total sales**	**Domestic sales**	**Export sales**	**Total sales**
Transit Custom	2.193	33.020	35.213	1.481	27.197	28.678
Transit	7.002	19.688	26.690	5.717	18.629	24.346
Transit Courier	6.488	6.254	12.742	7.112	7.067	14.179
Passenger vehicles	7.594	68	7.662	5.873	88	5.961
Cargo	1.268	247	1.515	920	168	1.088
Ranger	698	18	716	374	3	377
New Transit Connect	468	12	480	689	-	689
	25.711	**59.307**	**85.018**	**22.166**	**53.152**	**75.318**

Summaries of cost of production as of September 30, 2017 and 2016 are as follows:

	1 January- 30 September 2017	**1 January- 30 September 2016**	**1 July- 30 September 2017**	**1 July- 30 September 2016**
Raw material cost	(12.176.745)	(8.674.349)	(3.682.976)	(2.556.559)
Production overhead costs	(862.386)	(753.218)	(311.263)	(236.704)
Depreciation and amortization expenses (Notes 10 and 11)	(326.172)	(314.255)	(107.903)	(106.737)
Changes in finished goods	14.894	188.487	(37.861)	(20.488)
Total production cost	**(13.350.409)**	**(9.553.335)**	**(4.140.003)**	**(2.920.488)**
Cost of trade goods sold	(1.987.842)	(1.634.440)	(717.546)	(461.328)
Total cost of sales	**(15.338.251)**	**(11.187.775)**	**(4.857.549)**	**(3.381.816)**

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Marketing expenses:				
Warranty expenses (Note 13)	(104.802)	(92.661)	(45.401)	(32.197)
Advertising expenses	(68.319)	(61.084)	(15.646)	(15.042)
Personnel expenses	(60.672)	(50.548)	(20.545)	(15.670)
Vehicle transportation expenses	(37.686)	(33.188)	(13.330)	(8.902)
Spare parts transportation and packaging expenses	(16.916)	(14.098)	(5.492)	(5.296)
Dealer and service development expenses	(13.662)	(11.377)	(4.959)	(3.075)
Export expenses	(10.762)	(8.178)	(3.402)	(2.219)
Depreciation and amortization expense (Notes 10 and 11)	(2.524)	(2.053)	(881)	(712)
Other	(35.665)	(25.431)	(8.766)	(9.119)
	(351.008)	**(298.618)**	**(118.422)**	**(92.232)**

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

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
General administrative expenses:				
Personnel expenses	(76.274)	(66.467)	(25.354)	(21.930)
Legal, consulting and auditing expenses	(23.782)	(7.225)	(8.739)	(535)
Grants and donations	(19.302)	(14.545)	(6.707)	(4.515)
Depreciation and amortization expense (Notes 10 and 11)	(9.313)	(8.745)	(3.258)	(3.081)
Organization expenses	(8.778)	(5.893)	(1.905)	(714)
New project administrative expenses	(4.999)	(5.943)	(3.092)	(1.451)
Travel expenses	(4.594)	(5.959)	(1.694)	(1.466)
Duties, taxes and levies	(2.931)	(3.960)	(652)	(994)
Repair, maintenance and energy expenses	(2.604)	(1.539)	(850)	(63)
Other	(22.727)	(21.530)	(9.158)	(5.631)
	(175.304)	**(141.806)**	**(61.409)**	**(40.380)**

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Research and development expenses:				
Personnel expenses	(110.810)	(128.069)	(33.690)	(44.720)
Project costs	(55.079)	(115.216)	(18.953)	(70.615)
Mechanization expenses	(34.455)	(26.549)	(12.494)	(7.663)
Depreciation and amortization expense (Notes 10 and 11)	(14.134)	(12.346)	(4.773)	(4.202)
Other	(7.160)	(2.202)	(4.179)	(937)
	(221.638)	**(284.382)**	**(74.089)**	**(128.137)**

NOTE 20 - EXPENSES BY NATURE

The classification of expenses by nature for the year ended at September 30, 2017 and 2016 are as follows:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Raw material cost	(12.176.745)	(8.674.349)	(3.682.976)	(2.556.559)
Cost of trade goods sold	(1.987.842)	(1.634.440)	(717.546)	(461.328)
Personnel expenses	(696.959)	(652.985)	(235.029)	(215.154)
Other operational expenses	(474.223)	(456.578)	(165.419)	(170.433)
Other overhead costs	(413.183)	(345.317)	(155.823)	(103.869)
Financial expenses	(408.953)	(323.692)	(154.464)	(117.477)
Depreciation and amortization expenses	(352.143)	(337.399)	(116.815)	(114.734)
Other operational expenses from main operations	(188.838)	(134.225)	(57.095)	(38.059)
Expenses from investing activities	(1.685)	(1.982)	(205)	(828)
Changes in finished goods	14.894	188.487	(37.861)	(20.488)
Total expenses	**(16.685.677)**	**(12.372.480)**	**(5.323.233)**	**(3.798.929)**

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

NOTE 21 - OTHER OPERATING INCOME/ EXPENSES

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Other operating income				
Foreign exchange gains related to trade receivables and payables	121.339	41.694	51.101	32.167
Credit finance income	91.370	69.292	36.667	19.834
Price differences and claim recovered	9.782	10.084	1.230	3.441
License fee income	9.131	6.964	2.913	2.574
Rent income	3.687	4.327	860	1.135
Commission income	3.947	3.931	1.406	1.324
Adjustments of prior period corporate tax	3.302	2.316	2.327	-
Other	22.691	11.958	6.794	2.891
	265.249	**150.566**	**103.298**	**63.366**

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Other operating expenses				
Credit finance charge	(120.628)	(89.947)	(43.858)	(24.860)
Foreign exchange losses related to trade receivables and payables	(65.558)	(40.478)	(12.881)	(12.938)
Other	(2.652)	(3.800)	(356)	(261)
	(188.838)	**(134.225)**	**(57.095)**	**(38.059)**

NOTE 22 - FINANCIAL INCOME

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Foreign exchange gains	217.804	222.441	68.433	70.784
Interest income	50.507	15.460	22.038	4.761
	268.311	**237.901**	**90.471**	**75.545**

NOTE 23 - FINANCIAL EXPENSES

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Foreign exchange losses	(362.259)	(280.405)	(138.316)	(103.185)
Interest expenses	(31.514)	(31.752)	(14.554)	(10.425)
Other	(15.180)	(11.535)	(1.594)	(3.867)
	(408.953)	**(323.692)**	**(154.464)**	**(117.477)**

NOTE 24 - TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporate tax rate for the fiscal year 2017 is 20% (December 31, 2016 - 20%). Corporate tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is 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.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax authorities have the right to audit tax returns for five years from the beginning of the year that follows the date of filing and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.

The Company capitalizes the R&D expenses incurred within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of September 30, 2017, the Company used R&D deduction of TL 331.353 (September 30, 2016: TL 311.492) in return for the legal tax.

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

The decree on Government Subsidies for Incentives regulating investment incentives was published in the official gazette and became effective on 16 July 2009. Within the scope of this decree, the Company acquired a Large- Scaled investment Incentive Certificate which is located in the 1. Region and has a 30% rate of contribution to investment, for the investments on New Generation Transit and new model Transit Custom. As of the date of the financial position table, in the framework of the related investment incentive certificates, an investment expense of TL 559.295 (September 30, 2016: TL 559.295) was made and subject to document expenditures is completed.

The decree on Government Subsidies for Incentives re- regulating investment incentives was published in the official gazette and became effective on June 19, 2012. The Company revalued its existing investments and within the scope of above mentioned new decree acquired a Privileged Investment Incentive Certificate amounting to TL 1.194.398 for the investment of its new generation Transit model and a Privileged Investment Incentive Certificate amounting to TL 697.394 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187.379 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. In December 2014, the Company received a Privileged Investment Incentive Certificate amounting to TL 331.362 for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir Inönü plant. Additionally, the Company has obtained privileged investment incentive certificate at an amount of TL 849.160 because of replacement and factory modernization investments which shall be made in following periods related to Ford Transit, Ford Transit Courier and Ford Transit Custom models whose production were still going on in during 2016. The investments will benefit from the 5. Region contributions according to the new incentive regulation and has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1.194.398 received for the New Generation Transit expenses exceeds TL 1 billion, the Company can benefit from the additional 10% rate of contribution to investment.

As of the date of statement of financial position, the investment expenditures amounting to TL 2.448.857 (September 30, 2016: TL 2.143.476) was made in the Privileged Investment Incentive Certificates.

The Company utilized discounted corporate taxation amounting to TL 112.044 (September 30, 2016: TL 55.964) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of September 30, 2017 and December 31, 2016 are as follows:

	30 September 2017	**31 December 2016**
Current year corporate tax expense	(14.319)	(20.414)
Prepaid tax and withholding	12.127	22.171
Current years' profit tax (liability) / assets	**(2.192)**	**1.757**

The taxation on income for the periods ended September 30, 2017 and 2016 are as follows;

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Current year corporate tax expense	(14.319)	(15.854)	(4.676)	(700)
Current year tax effect of cash flow hedge	(25.034)	(10.843)	(9.045)	(14.557)
Other deferred tax	32.731	8.539	3.499	9.260
Deferred tax income	7.697	(2.304)	(5.546)	(5.297)
Continuing operations tax income / (expense)	**(6.622)**	**(18.158)**	**(10.222)**	**(5.997)**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of the tax expense between the current period tax expense in the statement of profit or loss as at September 30, 2017 and 2016 and expense calculated using current tax ratio on income before tax is as follows:

	30 September 2017	30 September 2016
Income before tax:	986.486	656.180
Effective tax rate	%20	%20
Current year tax expense	(197.297)	(131.236)
R&D deduction	66.271	62.298
Investment incentive exemption	122.153	59.787
Other	2.251	(9.007)
	(6.622)	**(18.158)**

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the statement of financial position prepared under TFRS and financial statements prepared for tax purposes.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at September 30, 2017 and December 31, 2016 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Deferred tax assets:				
Investment incentive tax asset	4.028.408	3.987.624	750.148	740.039
Expense accruals and other provisions	295.350	306.055	59.069	61.211
Employee benefits provision	126.611	110.025	25.323	22.005
Warranty expense provision	184.925	154.387	36.986	30.878
Inventories	31.625	33.381	6.325	6.676
			877.851	**860.809**
Deferred tax liabilities:				
Tangible and intangible assets	1.411.511	1.430.271	(282.302)	(286.054)
Income accruals and other	30.550	92.205	(6.110)	(18.441)
			(288.412)	**(304.495)**
Net deferred tax asset			**589.439**	**556.314**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred taxes is as follows:

	1 January 2017	Charged to statement of profit or loss as income/ (expense)	Charged to comprehensive income statement as income/ (expense)	30 September 2017
Deferred tax liabilities:				
Tangible and intangible assets	(286.054)	3.752	-	(282.302)
Income accruals and other	(18.441)	12.103	228	(6.110)
Deferred tax assets:				
Investment incentive tax asset	740.039	10.109	-	750.148
Expense accruals and other	61.211	(2.142)	-	59.069
Provision for employee benefits	22.005	3.152	166	25.323
Warranty expense provision	30.878	6.108	-	36.986
Inventories	6.676	(351)	-	6.325
Deferred tax asset, net	**556.314**	**32.731**	**394**	**589.439**

	1 January 2016	Charged to statement of profit or loss as income/ (expense)	Charged to comprehensive income statement as income/ (expense)	30 September 2016
Deferred tax liabilities:				
Tangible and intangible assets	(266.801)	(21.629)	-	(288.430)
Income accruals and other	(12.440)	6.483	(89)	(6.046)
Deferred tax assets:				
Investment incentive tax asset	718.283	3.824	-	722.107
Expense accruals and other	18.225	16.310	-	34.535
Provision for employee benefits	17.516	1.061	1.813	20.390
Warranty expense provision	20.323	2.155	-	22.478
Inventories	7.428	335	-	7.763
Deferred tax asset, net	**502.534**	**8.539**	**1.724**	**512.797**

NOTE 25 - EARNINGS PER SHARE

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Net income for the year (TL)	979.864	638.022	345.946	173.919
Weighted average number of shares with nominal value of Kr 1	35.091.000.000	35.091.000.000	35.091.000.000	35.091.000.000
Earnings per share with nominal value of Kr 1 each	**2,79 Kr**	**1,82 Kr**	**0,99 Kr**	**0,50 Kr**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding A.Ş. and Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at September 30, 2017 and December 31, 2016 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:

i) Trade receivable from related parties

	30 September 2017	31 December 2016
Due from shareholders:		
Ford Motor Company and its subsidiaries	1.275.847	892.540
	1.275.847	**892.540**
Due from group companies (*):		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	455.317	474.021
Other	494	1.070
	455.811	**475.091**
Less: Unearned credit finance income	(4.941)	(4.682)
	1.726.717	**1.362.949**

(*) The Company's shareholders' subsidiaries and affiliate.

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from the Ford Motor Company are due in 14 days and receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and sales of spare parts is due in 70 days on average.

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Payables to related parties:

i) Trade payables to related parties

	30 September 2017	31 December 2016
Due to shareholders:		
Ford Motor Company and its subsidiaries	651.740	698.913
	651.740	**698.913**
Trade payables due to related parties (*):		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	39.262	34.060
Ram Dış Ticaret A.Ş.	28.976	27.150
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	5.202	6.695
Setur Servis Turistik A.Ş.	3.132	7.031
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	2.862	2.331
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2.142	2.434
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1.707	1.370
Ram Sigorta Aracılık Hizmetleri A.Ş.	462	476
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	398	10.958
Other	1.202	3.299
	85.345	**95.804**
Less: Unearned credit finance expense	(807)	(534)
	736.278	**794.183**

(*) The Company's shareholders' subsidiaries, business associates and affiliates.

ii) Other payables to related parties

	30 September 2017	31 December 2016
Koç Holding A.Ş.	3.517	8.578
Yapı ve Kredi Bankası A.Ş.	-	2.843
Koç Finansman A.Ş.	-	7.342
	3.517	**18.763**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Sales to related parties:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Ford Motor Company (*)	12.216.723	8.609.959	3.658.083	2.622.060
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	1.307.429	1.076.996	481.756	329.858
Other	100	1.126	54	99
	13.524.252	**9.688.081**	**4.139.893**	**2.952.017**
Less: Financial income from credit sales	(25.734)	(19.317)	(10.274)	(5.646)
	13.498.518	**9.668.764**	**4.129.619**	**2.946.371**

(*) The Company exports vehicle. spare parts and engineering service to Ford Motor Company.
(**) The Company has a vehicle and spare parts trade in accordance with domestic dealership agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

d) Material, service and fixed asset purchases from related parties:

	1 January - 30 September 2017			
	Material	**Service**	**Fixed Assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	14.101	186.625	142	200.868
Ram Dış Ticaret A.Ş.	90.830	-	-	90.830
Setur Servis Turistik A.Ş.	-	20.610	-	20.610
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	14.834	4.824	19.658
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	11.591	5.744	17.335
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	13.545	-	-	13.545
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	8.884	-	8.884
Koç Holding A.Ş. (*)	-	8.863	-	8.863
Koçtaş Yapı Marketleri Ticaret A.Ş.	8.292	-	16	8.308
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	8.056	-	-	8.056
Opet Petrolcülük A.Ş.	3.785	-	-	3.785
Tanı Pazarlama İlet. Hiz. A.Ş.	-	1.453	-	1.453
Other	265	3.511	222	3.998
	138.874	**256.371**	**10.948**	**406.193**
Less: Financial expense from credit purchases	(2.751)	-	-	(2.751)
	136.123	**256.371**	**10.948**	**403.442**

(*) This includes remuneration expenses, occurred related to services provided to companies in care of Koç Holding A.Ş. including personnel and key management expenses in acknowledgement of services such as finance, law, tax and key management given to companies in the company structure of our main partner Koç Holding A.Ş., which are billed to our Company as a result of its distribution in the framework of "11- Intra- group Services" of General Communique numbered 1 on Distribution of Hidden Income through Transfer Pricing.

(**) Contains paid and accrued premium amounts for the interim periods ended September 30, 2017 and 2016 within the context of insurance policies signed with non related insurance Companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 July - 30 September 2017			
	Material	**Service**	**Fixed Assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	4.375	57.218	53	61.646
Ram Dış Ticaret A.Ş.	26.647	-	-	26.647
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	4.442	3.168	7.610
Setur Servis Turistik A.Ş.	-	6.041	-	6.041
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2.081	2.128	4.209
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4.019	-	-	4.019
Koç Holding A.Ş. (*)	-	2.980	-	2.980
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	2.601	-	-	2.601
Koçtaş Yapı Marketleri Ticaret A.Ş.	2.558	-	9	2.567
Opet Petrolcülük A.Ş.	1.364	-	-	1.364
Tanı Pazarlama İlet. Hiz. A.Ş.	-	434	-	434
Ram Sigorta Aracılık Hizmetleri A.Ş.(**)	-	303	-	303
Other	234	360	-	594
	41.798	**73.859**	**5.358**	**121.015**
Less: Financial expense from credit purchases	(961)	-	-	(961)
	40.837	**73.859**	**5.358**	**120.054**

	1 January - 30 September 2016			
	Material	**Service**	**Fixed Assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12.092	154.286	101	166.479
Ram Dış Ticaret A.Ş.	69.019	-	-	69.019
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	6.222	13.774	19.996
Setur Servis Turistik A.Ş.	-	18.598	-	18.598
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	10.817	5.934	16.751
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	11.138	-	-	11.138
Koç Holding A.Ş. (*)	-	9.487	-	9.487
Ram Sigorta Aracılık Hizmetleri A.Ş.(**)	-	9.083	-	9.083
Koçtaş Yapı Marketleri Ticaret A.Ş.	6.582	-	-	6.582
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	6.284	-	-	6.284
Opet Petrolcülük A.Ş.	2.830	-	-	2.830
Tanı Pazarlama İlet. Hiz. A.Ş.	-	1.582	-	1.582
Other	45	4.029	155	4.229
	107.990	**214.104**	**19.964**	**342.058**
Less: Financial expense from credit purchases	(2.078)	-	-	(2.078)
	105.912	**214.104**	**19.964**	**339.980**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 July - 30 September 2016			
	Material	**Service**	**Fixed Assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	6.656	45.624	36	52.316
Ram Dış Ticaret A.Ş.	20.329	-	-	20.329
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	1.488	4.419	5.907
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	-	4.656	4.656
Koç Holding A.Ş. (*)	-	3.893	-	3.893
Setur Servis Turistik A.Ş.	-	3.744	-	3.744
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	3.392	-	-	3.392
Koçtaş Yapı Marketleri Ticaret A.Ş.	1.885	-	-	1.885
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1.611	-	-	1.611
Opet Petrolcülük A.Ş.	1.043	-	-	1.043
Tanı Pazarlama İlet. Hiz. A.Ş.	-	467	-	467
Ram Sigorta Aracılık Hizmetleri A.Ş.(**)	-	294	-	294
Other	13	1.111	154	1.278
	34.929	**56.621**	**9.265**	**100.815**
Less: Financial expense from credit purchases	(679)	-	-	(679)
	34.250	**56.621**	**9.265**	**100.136**

Material, vehicle and service purchases from abroad:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Ford Motor Company and subsidiaries	7.437.116	5.654.654	2.085.779	1.707.586

e) License fees paid to Ford Motor Company included in cost of sales:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
	92.528	81.547	35.344	26.248

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
	9.131	6.964	2.913	2.574

g) Donations to Koç Group foundations, included in general administrative expenses:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
	19.044	13.580	6.595	4.050

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

h) The details of deposits in related banks and loans obtained from related banks:

Deposits in related banks:	**30 September 2017**	**31 December 2016**
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	228.209	251.506
- TL time deposits	-	-
- TL demand deposits	33.127	17.416
- Foreign currency demand deposits	1.074	239
	262.410	**269.161**

ı) Commission income:

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Koç Finansman A.Ş	2.448	2.877	910	1.020
Yapı ve Kredi Bankası A.Ş.	1.499	1.054	496	309
	3.947	**3.931**	**1.406**	**1.329**

i) Commission expense:

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Koç Finansman A.Ş.	46.620	59.536	17.538	20.892
Yapı ve Kredi Bankası A.Ş.	19.157	12.718	6.996	4.297
	65.777	**72.254**	**24.534**	**25.189**

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to last customers by dealers and are recorded as sales discounts in statement of profit or loss.

j) Interest income:

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Yapı ve Kredi Bankası A.Ş.	9.012	3.186	2.759	918

k) Dividend income:

	1 January - 30 September 2017	**1 January - 30 September 2016**	**1 July - 30 September 2017**	**1 July - 30 September 2016**
Otokar Otomotiv ve Savunma Sanayi A.Ş.	351	422	-	-

l) Compensation of key management personnel:

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 2).

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company as of September 30, 2017 was TL 11.909 (September 30, 2016: TL 10.523)

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Company's exposure to foreign currency exchange rate risk at September 30, 2017 and December 31, 2016. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 September 2017

	TL (Functional currency)	**USD**	**Euro**	**GBP**
1. Trade receivables	1.325.030	14.183	304.038	-
2. Monetary financials assets (including cash and cash equivalents)	843.100	40.850	166.483	7
3. Other	300.141	2.575	69.410	-
4. Current assets (1 + 2 + 3)	**2.468.271**	**57.608**	**539.931**	**7**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	-	-
7. Total assets (4+6)	**2.468.271**	**57.608**	**539.931**	**7**
8. Trade payables	793.160	18.644	172.896	439
9. Financial liabilities (*)	1.650.716	40.000	359.850	-
10. Other monetary liabilities	105.691	495	24.051	654
11. Short term liabilities (8 + 9 + 10)	**2.549.567**	**59.139**	**556.797**	**1.093**
12. Financial liabilities (*)	1.876.638	-	447.629	-
13. Long term liabilities (12)	**1.876.638**	**-**	**447.629**	**-**
14. Total liabilities (11 + 13)	**4.426.205**	**59.139**	**1.004.426**	**1.093**
15. Net foreign currency assets/(liabilities) position (7 - 14)	**(1.957.934)**	**(1.531)**	**(464.495)**	**(1.086)**
16. Net monetary foreign currency assets/(liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	(2.258.075)	(4.106)	(533.905)	(1.086)

(*) The Company's net foreign exchange position is mainly due to long term Euro denominated loans obtained to fund its investments. The Company is hedged for the foreign currency exchange risk of a portion of those Euro denominated loans amounting to TL 1.895.699 at September 30, 2017 by export agreements signed with Ford Motor Company (December 31, 2016 TL 2.082.685).

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2016

	TL (Functional currency)	**USD**	**Euro**	**GBP**
1. Trade receivables	958.508	22.468	237.052	-
2. Monetary financials assets (including cash and cash equivalents)	752.258	40.114	164.708	9
3. Other	210.843	6.878	50.308	-
4. Current assets (1 + 2 + 3)	**1.921.609**	**69.460**	**452.068**	**9**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	**-**	**-**
7. Total assets (4+6)	**1.921.609**	**69.460**	**452.068**	**9**
8. Trade payables	820.275	27.858	193.505	1.008
9. Financial liabilities (*)	1.348.275	40.000	325.482	-
10. Other monetary liabilities	82.069	386	21.710	39
11. Short term liabilities (8 + 9 + 10)	**2.250.619**	**68.244**	**540.697**	**1.047**
12. Financial liabilities (*)	1.503.855	-	405.363	-
13. Long term liabilities (12)	**1.503.855**	**-**	**405.363**	**-**
14. Total liabilities (11 + 13)	**3.754.474**	**68.244**	**946.060**	**1.047**
15. Net foreign currency assets/(liabilities) position (7 - 14)	**(1.832.865)**	**1.216**	**(493.992)**	**(1.038)**
16. Net monetary foreign currency assets/ (liabilities) (1 + 2 + 5 - 8 - 9 - 10 – 12)	**(2.043.708)**	**(5.662)**	**(544.299)**	**(1.038)**

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against Euro and partly against USD. The foreign exchange risk of the Company arises from long- term Euro investment loans.

30 September 2017

	Effect on profit/ (loss) before taxation	
Appreciation/ depreciation in foreign currency	**Increase by 10%**	**Decrease by 10%**
Change in USD against TL		
USD net assets/ (liabilities)	(544)	544
USD net hedged amount	-	-
USD net effect- gain/ (loss)	**(544)**	**544**
Change in Euro against TL		
Euro net (liabilities) / assets	(194.734)	194.734
Euro net hedged amount	189.570	(189.570)
Euro net effect- gain/ (loss)	**(5.164)**	**5.164**
Change in other foreign currency against TL		
Other foreign currency denominated net (liabilities) / assets	(515)	515
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net effect- (loss) / gain	**(515)**	**515**

31 December 2016

	Effect on profit/ (loss) before taxation	
Appreciation/ depreciation in foreign currency	**Increase by 10%**	**Decrease by 10%**
Change in USD against TL		
USD net assets/ (liabilities)	428	(428)
USD net hedged amount	-	-
USD net effect- gain/ (loss)	**428**	**(428)**
Change in Euro against TL		
Euro net (liabilities) / assets	(183.266)	183.266
Euro net hedged amount	208.268	(208.268)
Euro net effect- gain/ (loss)	**25.003**	**(25.003)**
Change in other foreign currency against TL		
Other foreign currency denominated net (liabilities) / assets	(448)	448
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net effect- (loss) / gain	**(448)**	**448**

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended September 30, 2017 and 2016 are as follows:

	30 September 2017	30 September 2016
Total export amount	12.410.717	8.720.072
Total import amount	7.877.430	5.928.224

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	30 September 2017	31 December 2016
Fixed interest rate financial instruments		
Financial assets	1.443.421	1.157.569
Financial liabilities	1.792.243	1.614.034
Floating interest rate financial instruments		
Financial liabilities	1.721.768	1.230.917

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher/ lower with all other variables held constant, profit before tax for the year would have been lower/ higher by TL 3.154 at September 30, 2017 (December 31, 2016: TL 2.470) due to higher/ lower interest expense.

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

30 September 2017	**Book value**	**Total contractual cash outflow**	**Up to 3 months**	**Between 3-12 months**	**Between 1-5 years**	**Over 5 years**
Non- derivative financial instruments						
Financial liabilities	**3.527.354**	**3.618.594**	**297.572**	**1.550.939**	**1.556.326**	**213.757**
Trade payables						
-Related party	736.278	737.085	737.085	-	-	-
-Other	1.722.342	1.735.238	1.735.238	-	-	-
Other liabilities						
-Related party	3.517	3.517	3.517	-	-	-
-Other	93.461	93.461	93.461	-	-	-

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2016	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years	Over 5 years
Non-derivative financial instruments						
Financial liabilities	**2.852.130**	**2.927.145**	**401.094**	**954.750**	**1.540.259**	**31.042**
Trade payables						
-Related party	794.183	794.717	794.717	-	-	-
-Other	1.823.160	1.832.582	1.832.582	-	-	-
Other liabilities						
-Related party	18.763	18.763	18.763	-	-	-
-Other	76.129	76.129	76.129	-	-	-

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

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques that includes direct or indirect observable inputs

Level 3: Valuation techniques that does not contain observable market inputs

As of September 30, 2017 and December 31, 2016, the Company's hierarchy table for its financial assets and liabilities measured at fair value are as follows:

30 September 2017

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Available-for-sale financial assets - Otokar	14.201	-	-
Total assets	**14.201**	**-**	**-**

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

31 December 2016

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Available-for-sale financial assets - Otokar	18.756	-	-
Total assets	**18.756**	**-**	**-**

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

NOTE 28 - DERIVATIVE FINANCIAL INSTRUMENTS

There is an effective foreign currency cash flow hedge relationship between foreign currency long term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from April 1, 2013 to December 2022 with long term financial borrowings.

	30 September 2017	31 December 2016
Cash flow hedge reserve:		
Amount recognized in other comprehensive income	246.376	303.001
Amount recycled from other comprehensive income to statement of profit or loss	(121.204)	(75.775)
	125.172	**227.226**

NOTE 29 – INCOME/ (EXPENSES) FROM INVESTING ACTIVITIES

	1 January - 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Income from investing activities				
Dividend income	351	422	-	-
Gain on sale of property, plant and equipment	12	-	-	-
	363	**422**	**-**	**-**

	1 January - 30 September 2017	1 January- 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Expense from investing activities				
Loss on sale of property, plant and equipment	(1.685)	(1.982)	(205)	(828)
	(1.685)	**(1.982)**	**(205)**	**(828)**

NOTE 30 - DEFERRED REVENUE

	30 September 2017	31 December 2016
Advances received	10.148	8.811
	10.148	**8.811**

	30 September 2017	31 December 2016
Long term deferred revenue	4.722	4.757
	4.722	**4.757**

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

NOTE 31-OTHER NON CURRENT LIABILITIES

	30 September 2017	31 December 2016
Other non- current liabilities (*)	95.530	75.620
	95.530	**75.620**

(*) The Company makes a part of its fleet truck sales agreement with buyback commitments and sales made in this scope are monitored under "Other Non-Current Liabilities". The buyback commitments are 3 years on average.

NOTE 32 - GOVERNMENT INCENTIVES AND GRANTS

The Company has completed its New Transit Custom factory investment amounting to TL 559.295 which has 30% contribution rate to investment in scope of Council of Ministers' Decision numbered 2009/15199 and benefits from related incentive in tax calculations.

Additionally, the Company revalued its existing investments within the scope of the decree on Government Subsidies for Incentives re- regulating investment incentives, which was published in the official gazette in 2013 and became effective on 19 June 2012, and in order to benefit from privileged investment incentive regarding new decree, acquired a privileged investment incentive certificate amounting to TL 1.194.398 for the investment of its new generation Transit model and a privileged investment incentive certificate amounting to TL 697.394 for the new model Transit Courier investment in the light commercial vehicle segment. In addition to vehicle investments, in 2013, the Company acquired a privileged investment incentive certificate amounting to TL 187.379 for the production of new 6 and 4 cylinder engines for the produced Ford Cargo and Ford Transit vehicles. Subject investment incentives has a 40% rate of contribution to investment. Since the Privileged Investment Incentive Certificate amounting to TL 1.194.398 received for the New Generation Transit expenses exceeds TL 1 billion. the Company can benefit from the additional 10% rate of contribution to investment.

In December 2014, the Company received a privileged investment incentive amounting to TL 331.362 and with a 40% rate of contribution to investment for the expanding investment for the production of Euro 6 emission trucks which will be put into use in the year 2018 in the Eskişehir Inönü plant.

Additionally, the Company has obtained primary investment incentive certificate at an amount of TL 849.160 because of replacement and factory modernization investments which shall be made in following periods related to Ford Transit, Ford Transit Courier and Ford Transit Custom models whose production is still going on in during 2016. The aforementioned investments shall benefit from 5th Region and 40% incentive ratio supports in accordance with new incentives legislation.

NOTE 33 - SUBSEQUENT EVENTS

The Board of Directors of the Company decided to distribute cash dividend amounting to TL 389.510 with a gross of TL 1.11 full TL (net 94,35 Kr) and a ratio of 94,35% with a total TL of 389.510, and this decision will be submitted to the approval of in Extraordinary General Assembly on 27 October 2017.

NOTE 34 - DISCLOSURE OF OTHER MATTERS

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.

....