BRİSA BRIDGESTONE SABANCI
LASTİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2017 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

This report includes 6 pages of independent auditor's report and 71 pages of financial statements together wtih their explanatory notes

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INDEPENDENT AUDITOR'S REPORT

To the Board of Director of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

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

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Key Audit Matters

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

Revenue recognition

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

The key audit matter	How the matter was addressed in our audit
Revenue of the Company for the year ended 31 December 2017 mainly comprised of the sale of tires. The Company applies customer rebates to its dealers in order to increase its sales and to support its dealers. Revenues are recognized on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns, rebates and commissions, and exclude sales taxes and duties. Recognition of revenue, rebates and profit for the products sold are dependent on the proper evaluation of the incoterms in the sales contract and proper accounting for the accrual of rebates in the appropriate financial period. As a result of the Company's sales operations there could be circumstances that invoice billed to the customers after completion of production but risk and rewards of the sales product were not transferred to the customers due to the complex conditions of incoterms that could not be met. In accordance with revenue recognition principles, sales of these products should be evaluated based on the timing of the transfer of risk and rewards. We have identified the timing of revenue recognition as a key audit matter because each sales contract may have different terms and conditions which increases the risk of error in the recognition of revenue.	We have performed the following audit procedures to be responsive to revenue recognition: - Assessing the design, implementation and operating effectiveness of the key internal controls over sales to collection. - Inspecting key customer contracts to identify conditions relating to delivery terms and assessing the Company's revenue recognition policies with reference to the requirements of the prevailing accounting standards. - Obtaining confirmation letters for trade receivables, on a sample basis, and performing reconciliations of account balances received in the confirmation letters and financial statements. - Performing analytical procedures to identify any unusual transactions. - Inspecting, on a sampling basis, relevant underlying documentation for sales returns accepted subsequent to the year end in order to assess whether the sales returns are properly accounted for in the appropriate financial period. - Testing customer rebates and discounts, on a sample basis, in order to assess whether customer rebates are properly accounted for in the appropriate financial period.

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Recoverability of trade receivables

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting estimates for valuation of deferred tax assets.

The key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Company's gross trade receivables amounts to TRY 935.603.133, against which a provision for doubtful debts of TRY 103.388.548 has been recorded. The Company recognizes bad debt provision for its trade receivables when there is an indicator that the receivable is considered as uncollectable. Bad debt provision is accounted based on management's estimate of the expected losses to be incurred by taking into account the aging of trade receivables, guarantees received, payment history and credibility of the customers. All these estimations are highly sensitive to future market conditions. For these reasons, recoverability of trade receivables is a significant audit area. We identified the recoverability of trade receivables as a key audit matter because of the significant degree of management judgment involved in evaluating the adequacy of the allowance for doubtful receivables. Bad debt provision is accounted based on management's estimate of the expected losses to be incurred, which is highly sensitive to future market conditions, by taking into account the aging of trade receivables, guarantees received, payment history and credibility of the customers.	We have performed the following audit procedures to be responsive to this area: - assessing the design, implementation and operating effectiveness of the Company's key internal controls over the processes of credit control, collection of trade receivables and follow up of overdue balances - assessing the classification of trade receivables in the trade receivable ageing report by comparison with sales invoices and other underlying documentation on a sample basis - Obtaining confirmation letters for trade receivables, on a sample basis, and performing reconciliations of account balances received in the confirmation letters and financial statements. - Verifying the reconciliation of execution for balances presented at lawyer letters with doubtful receivables. - Obtaining an understanding of the basis of management's judgment about the recoverability of individual significant trade receivables balances. - Assessing the assumptions and estimates made by the management for doubtful accounts calculated based on a collective assessment and recalculating the Company's doubtful receivable provision in reference to the Company's policy for collective assessment - Assessing the quality of guarantees used in determination of recoverability of trade receivables, on a sample basis.

Other Matter

The financial statements of the Company for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 February 2017.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 21 February 2018.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member of KPMG International Cooperative

Ruşen Fikret Selamet, SMMM
Partner
21 February 2018
İstanbul, Turkey

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AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	194.516.054	174.696.774
Trade Receivables	6	755.296.442	736.916.404
Trade Receivables From Related Parties	24	21.514.565	20.928.831
Trade Receivables From Third Parties		733.781.877	715.987.573
Other Receivables	7	16.148.540	10.827.826
Other Receivables From Related Parties	24	6.731.773	92.099
Other Receivables From Third Parties		9.416.767	10.735.727
Derivative Financial Instruments	5	115.529	3.077.383
Inventories	8	393.225.371	364.067.909
Prepaid Expenses	9	20.609.068	31.230.546
Current Tax Assets	22	230.653	-
Other Current Assets	15	21.060.699	11.909.945
Total Current Assets		**1.401.202.356**	**1.332.726.787**
Non-Current Assets			
Trade Receivables	6	76.918.143	46.717.535
Other Receivables	7	135.285	131.280
Derivative Financial Instruments	5	185.075.543	100.025.565
Property, Plant and Equipment	10	1.692.960.221	1.089.522.968
Intangible Assets	11	61.023.341	70.917.208
Prepaid Expenses	9	28.407.601	184.329.431
Deferred Tax Assets	22	7.091.785	11.897.371
Total Non-Current Assets		**2.051.611.919**	**1.503.541.358**
TOTAL ASSETS		**3.452.814.275**	**2.836.268.145**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
LIABILITIES			
Current Liabilities			
Short-term Borrowings	4	43.347.269	459.582.804
Short-term Portion of Long Term Borrowings	4	364.297.526	277.498.799
Trade Payables	6	587.509.498	359.749.707
Trade Payables to Related Parties	24	230.009.776	141.026.215
Trade Payables to Third Parties		357.499.722	218.723.492
Payables Related to Employee Benefits	14	24.746.722	22.080.116
Other Payables	7	13.275.398	5.921.480
Other Payables to Related Parties	24	951.582	700.557
Other Payables to Third Parties		12.323.816	5.220.923
Derivative Financial Insturments	5	6.059.785	2.575.314
Deferred Income	9	9.030.751	14.610.486
Current Tax Liabilities	22	-	642.427
Short-term Provisions		27.611.892	12.483.829
Short-term Provisions For Employee Benefits	14	20.273.264	8.846.095
Other Short-term Provisions	12	7.338.628	3.637.734
Total Current Liabilities		**1.075.878.841**	**1.155.144.962**
Non-Current Liabilities			
Long-term Borrowings	4	1.622.349.866	1.046.184.000
Trade Payables	6	11.521	28.456
Trade Payables to Third Parties		11.521	28.456
Derivative Financial Instruments	5	22.268.055	4.560.575
Deferred Income	9	457.759	6.750.733
Long-term Provisions		48.368.213	53.413.359
Long-term Provisions For Employee Benefits	14	48.368.213	53.413.359
Total Non-Current Liabilities		**1.693.455.414**	**1.110.937.123**
Total Liabilities		**2.769.334.255**	**2.266.082.085**
EQUITY			
Share Capital	16	305.116.875	305.116.875
Adjustment to Share Capital		54.985.701	54.985.701
Share Premium		4.903	4.903
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) /Gains		8.387.306	327.501
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial (Losses)/Gains		6.484.504	(3.546.159)
Restricted Reserves	16	117.202.932	114.135.542
Retained Earnings		96.094.307	19.049.069
Net Income For The Period		95.203.492	80.112.628
Total Equity		**683.480.020**	**570.186.060**
TOTAL LIABILITIES AND EQUITY		**3.452.814.275**	**2.836.268.145**

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

AUDITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
Sales	17	2.294.135.975	1.766.472.991
Cost of Sales (-)	17-18	(1.682.952.842)	(1.247.912.326)
GROSS PROFIT		**611.183.133**	**518.560.665**
General Administrative Expenses (-)	18	(162.418.329)	(118.246.313)
Marketing Expenses (-)	18	(229.225.455)	(227.072.976)
Research and Development Expenses (-)	18	(1.540.270)	(6.722.094)
Other Operating Income	19	83.264.270	79.232.992
Other Operating Expenses (-)	19	(43.825.759)	(27.165.952)
OPERATING PROFIT		**257.437.590**	**218.586.322**
Income From Investing Activities	20	300.032	357.307
Expenses From Investing Activities (-)	20	(93.579)	(17.866)
PROFIT BEFORE FINANCIAL EXPENSES		**257.644.043**	**218.925.763**
Financial Expenses (-)	21	(160.337.114)	(138.980.647)
PROFIT BEFORE TAX		**97.306.929**	**79.945.116**
Taxation on Income		**(2.103.437)**	**167.512**
Current Tax Expense (-)	22	(1.820.468)	(2.373.090)
Deferred Tax Income / (Expense)	22	(282.969)	2.540.602
PROFIT FOR THE PERIOD		**95.203.492**	**80.112.628**
Earnings per share	23	**0,296**	**0,250**
Diluted earnings per share	23	**0,296**	**0,250**

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

AUDITED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Current Period 1 January- 31 December 2017	**Prior Period 1 January- 31 December 2016**
PROFIT FOR THE PERIOD	**95.203.492**	**80.112.628**
OTHER COMPREHENSIVE INCOME		
Items that will never be reclassified to profit or loss	**10.030.663**	**-**
Actuarial (Losses)/Gains	12.538.329	-
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or (Loss)		
Deferred Tax Income / (Expense)	(2.507.666)	-
Items that are or may be reclassified to profit or loss	**8.059.805**	**(596.902)**
Hedging Reserve Gains/ (Losses)	10.074.756	(746.128)
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or (Loss)		
Deferred Tax Income / (Expense)	(2.014.951)	149.226
OTHER COMPREHENSIVE INCOME	**18.090.468**	**(596.902)**
TOTAL COMPREHENSIVE INCOME	**113.293.960**	**79.515.726**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

				Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Retained Earnings		
	Share Capital	**Adjustment to Share Capital**	**Share Premium**	**Hedging Reserve Gains/ (Losses)**	**Acturial (Losses)/ Gains**	**Restricted Reserves**	**Retained Earnings**	**Net Income For The Period**	**Shareholders' Equity**
Balance at 1 January 2016 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**924.403**	**(3.546.159)**	**88.919.684**	**8.807.392**	**192.168.170**	**647.380.969**
Corrections for mistatements	-	-	-	-	-	-	5.193.856	5.024.995	10.218.851
Balance at 1 January 2016 (Restated Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**924.403**	**(3.546.159)**	**88.919.684**	**14.001.248**	**197.193.165**	**657.599.820**
Transfers	-	-	-	-	-	25.215.858	171.977.307	(197.193.165)	-
Total Comprehensive Income	-	-	-	(596.902)	-	-	-	80.112.628	79.515.726
Dividends Paid (*)	-	-	-	-	-	-	(166.929.486)	-	(166.929.486)
Balances at 31 December 2016 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**327.501**	**(3.546.159)**	**114.135.542**	**19.049.069**	**80.112.628**	**570.186.060**
Balance at 1 January 2017 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**327.501**	**(3.546.159)**	**114.135.542**	**19.049.069**	**80.112.628**	**570.186.060**
Transfers	-	-	-	-	-	3.067.390	77.045.238	(80.112.628)	-
Total Comprehensive Income	-	-	-	8.059.805	10.030.663	-	-	95.203.492	113.293.960
Balances at 31 December 2017 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**8.387.306**	**6.484.504**	**117.202.932**	**96.094.307**	**95.203.492**	**683.480.020**

(*) The Company didn’t pay dividends in 2017. Dividends paid by the Company per share with a TL 1 nominal value is TL 0,5146 in gross 2016.

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
Net Profit For The Period		**95.203.492**	**80.112.628**
Adjustments to Reconcile Profit For The Period		**341.512.166**	**262.661.334**
Adjustments Related to Depreciation and Amortization Expenses	18	105.150.753	80.470.240
Provisions for Employee Benefits	14	20.336.545	8.609.225
Adjustments Related to Retirement Pay Provision	14	10.801.402	11.212.692
Lawsuit Provision	12	3.570.067	860.332
Adjustment Related to Provisions	12	553.640	820.742
Adjustments Related to Doubtful Receivables	6	68.232.862	31.095.302
Interest Income	19	(307.313)	(451.064)
Interest Expense	21	158.665.311	123.934.147
Unrealized Foreign Exchange Losses / (Gains)		(4.224.929)	16.541.510
(Gains) / Losses From Derivative Financial Instruments	5	(18.343.610)	(4.686.835)
Adjustments Related to Tax Expense / (Income)	22	2.103.437	(167.512)
Losses / (Gain) On Sale of Properties, Net	20	211.578	(84.490)
Losses / (Gain) On Sale of Intangible Assets, Net	20	(5.125)	(254.951)
Impairment on inventories	8	2.934.422	5.512.168
Finance expense accruals from credit purchases (net)		5.108.113	1.266.414
Finance income accruals from credit sales (net)		(13.274.987)	(11.750.414)
Changes In Working Capital		**221.665.190**	**(17.254.571)**
Adjustments Related to Increase / Decreases in Trade Receivables		(108.339.421)	(62.321.515)
Adjustments Related to Increase / Decreases in Inventory		(26.444.347)	17.692.539
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(14.469.847)	(7.235.867)
Adjustments Related to Increase / Decreases in Prepaid Expenses		153.505.020	(47.538.238)
Adjustments Related to Increase / Decreases in Trade Payables		228.984.113	81.639.089
Adjustments Related to Increase / Decreases in Deferred Income		(6.448.357)	3.701.410
Adjustments Related to Increase / Decreases in Employee Benefits Payables		(6.242.769)	(3.487.826)
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		1.120.799	295.837
Cash Flows From Operating Activities		**(10.912.022)**	**(22.478.408)**
Collection from doubtful receivables	6	3.774.300	441.446
Interest Received	19	307.313	451.064
Taxes Paid / Reimbursed	22	(2.693.548)	(3.960.724)
Paid / Reversed Provisions	12	(45.089)	(5.409.049)
Paid / Reversed Lawsuit Provisions	12	(377.724)	(412.929)
Cash inflows/ (Cash outflows)from Financial Derivatives		(8.569.055)	(9.202.772)
Retirement Benefits Paid	14	(3.308.219)	(4.385.444)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**647.468.826**	**303.040.983**
Proceeds From Sale of Property, Plant and Equipments		6.540.512	542.558
Proceeds From Sale of Intangible Assets		7.500	317.326
Acquisition of Property, Plant and Equipment and Intangible Assets	10,11	(642.848.868)	(493.189.622)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(636.300.856)**	**(492.329.738)**
Proceeds From Borrowings, Net		186.935.900	591.724.076
Dividends Paid		-	(166.929.486)
Cash inflows/ (Cash outflows)from Financial Derivatives		31.554.450	-
Interest Paid		(209.544.341)	(178.090.083)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**8.946.009**	**246.704.507**
Net Increase/ (Decrease) in Cash and Cash Equivalents before translation effect of foreign currency(A+B+C)		20.113.979	57.415.752
D. Translation Effect Of Foreign Currency on Cash and Cash Equivalents		**(294.699)**	**266.172**
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C+D)		19.819.280	57.681.924
Cash and Cash Equivalents at the beginning of the period		174.696.774	117.014.850
Cash and Cash Equivalents at the end of the period		**194.516.054**	**174.696.774**

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa" or "Company") was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş.

Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. In 1988, the Company entered into a license agreement with Bridgestone Corporation for the purpose of manufacturing and selling Bridgestone tires.

The control of the Company is jointly held by H.Ö. Sabancı Holding A.Ş. and Bridgestone Corporation.

The Company's employee headcount with indefinite-term employment contract is 2.726 (2016: 2.580). This number includes 1.962 employees who are subject to Collective Bargaining Agreement terms (2016: 1.957), and 751 employees who are not subject to these terms (2016: 611). There are 13 foreign employees (2016: 12). In addition, there are 52 employee who is subject to definite-term employment contracts (2016: 40).

Brisa is registered with the Capital Markets Board ("CMB") and its shares have been quoted in Borsa İstanbul A.Ş. since 1986. As of December 31, 2017 and 2016, the Company has a 10.24% shareholding in Borsa İstanbul. As at 31 December 2017 ad 2016, the main shareholders and their respective shareholding in the Company are as follows:

	%
Hacı Ömer Sabancı Holding A.Ş.	43,63
Bridgestone Corporation	43,63
Other	12,74
	100,00

The address of the registered office of the Company is as follows:

Sabancı Center Kule 2 Kat: 8
4. Levent 34330 Beşiktaş / İstanbul

The financial statements for the period 1 Janaury-31 December 2017 have been approved for issue by the Board of Directors on 21 February 2018 and signed on behalf of the Board of Directors by Ahmet Cevdet Alemdar, General Manager, and Reşat Oruç, Chief Financial Officer. General assembly has the right to make changes in the financial statements after the aforementioned financial statements are issued.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Additionally, the financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of Presentation (Cont'd)

Statement of compliance with TAS (cont'd)

The financial statements have been prepared on the historical cost basis except for derivative financial assets and liabilities that are measured at fair value. See note 26 for fair value disclosures.

Functional currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are expressed in Turkish Lira (“TL”), which is the functional currency of the Company and the reporting currency for the financial statements.

Preparation of financial statements in hyperinflationary periods

Based on CMB‟s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

2.2 Change in Accounting Policies

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated.

2.3 Change in the Accounting Policies

Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period considering the impact on the profit of loss. There are no important changes in the accounting policies for the period 1 January - 31 December 2017. Identified accounting errors are corrected in financial statements retrospectively (Note 2.4.25).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies

2.4.1 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its financial statements resulting from the application of TFRS 15.

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS Interpretation 22 – Foreign Currency Transactions and Advance Consideration

TFRS Interpretation 22 *"Foreign Currency Transactions and Advance Consideration"* has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS Interpretation 22.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.1 Standards and interpretations issued but not yet effective (Cont’d)

Standards issued but not yet effective and not early adopted (Cont’d)

Amendments to TFRS 2 – Classification and Measurement of Share-based Payment Transactions

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017 to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted.

The Company does not expect that application of these amendments to TFRS 2 will have significant impact on its financial statements.

TAS 40 – Transfers of Investment Property

Amendments to TAS 40 - Transfers of Investment Property issued by POA have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted.

The Company does not expect that application of these amendments to TAS 40 will have impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.1 Standards and interpretations issued but not yet effective (Cont’d)

Standards issued but not yet effective and not early adopted (Cont’d)

Annual Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments listed below are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

Annual Improvements to TFRSs 2014-2016 Cycle

TFRS 1 “First Time Adoption of Turkish Financial Reporting Standards”

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of ‘Annual Improvements to TFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

TAS 28 “Investments in Associates and Joint Ventures”
The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include ‘reasonable additional compensation’ for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of TFRS 9 will have significant impact on its financial statements.

Amendments to TAS 28- Long-term interests in Associates and Joint Ventures

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. An entity applies TFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Standards and interpretations issued but not yet effective (Cont'd)

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Standards and interpretations issued but not yet effective (Cont'd)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.2 Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. 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 a time proportion basis that takes into account the effective yield on the asset.

Other revenues earned by the Company are recognised on the following bases:

Interest revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.4.3 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are expenditure incurred in acquiring the inventories, production or conversion costs, foreign currency differences of derivative financial instruments designed as hedging instrument and other costs incurred in bringing them to their existing location and condition. The unit cost of inventories is determined on the moving weighted average basis (Note 8). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.4 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 10). Land and construction in progress are not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful Life (Year)
Land and land improvements	10-20
Buildings	4-50
Machinery and equipment	3-20
Motor vehicles	5
Furniture and fixtures	5-10

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Estimated useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Expenses for the repair and maintenance of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and depreciated over the average expected life between major overhauls.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.5. Intangible assets

Intangible assets include acquired rights, software, special selling rights, licences, capitalized development costs and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method. (Note 11).

	Useful Life (Year)
Capitalized development costs	5-10
Rights	5
Other intangible assets	3-10

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

2.4.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 3).

2.4.7 Trade Receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. 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. Those with maturities greater than 1 year are classified as non-current assets. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 6).

2.4.8 Due date income / (charges)

Due date income /(charges) represents the income / (charges) that are resulting from credit purchase or sales. These income / (charges) are considered as financial income and expenses which result from credit purchase or sales during the period and included in other operating income / (expense) throughout the maturity period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.9 Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.10 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 4).

2.4.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 6).

Those with maturities greater than 1 year are classified as non-current liabilities.

2.4.12 Foreign currency transactions

The financial statements are presented in Turkish Lira (“TL”), which is the functional currency and the presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign currency differences related with borrowings are recognized in the “financial income / (expense), whereas foreign currency differences related with cash and cash equivalents and other monetary assets and liabilities are recognised in the “other operating income/(expense)” in the statement of profit or loss.

Foreign currency differences related with non-monetary assets and liabilities are recognised as fair value gains and losses.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present legal 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.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate, used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

2.4.14 Provision for employement termination benefits

Provision for employment termination 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 calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 14).

2.4.15 Share Capital

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4.16 Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income excluding net income attributable to redeemed shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 23).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.17 Related Parties

a) A person or a member of that person's close family is related to the Company in the following cases:

(i) Having control or joint control over the company,
(ii) In case of having significant influence over the Company,
(iii) In case of being a member of the Company of Company's main ownership's key management personnel,

b) If any of the following conditions are met, the entity is counted as related with the Company:

(i) In case of, Entity and the Company are members of the same group.
(ii) In case of entity is another company's subsidiary or joint venture (or in case of a membership of a groups' member)
(iii) In case of both the companies having a business partnership with the same third party,
(iv) One of the companies having a business partnership with a third party and the other company is a subsidiary of of that third party,
(v) In case of having Entity's, Company's or the associated Company's employees having a post-employment defined benefit plans (In case of Company has such a plan, the sponsoring companies are also related with the Company.)
(vi) Company's control or jointly controlled by a person identified in the article (a),
(vii) A person who is identified as in (a) article,at (i) part, in the presence of a significant impact on a person's business or such entity (or of a parent of these businesses) in the case of being a member of the key management personnel.

For the purpose of these financial statements, shareholders, the Group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation Group companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Company assigned its key management as board of directors and the members of the executive board (Note 24).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.18 Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward transactions and cross currency swap transactions. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has designated their derivatives ("hedging instrument") to hedge its cash flows on foreign purchases ("hedged item") and its cashflow exprosures arsing from variable rate foreign currency denominated bank borrowings ("hedged item").

The Company documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Since exchange rate of the borrowings is fixed by the cross currency swap agreements made with the same financial institutions, foreign currency differences of the foreign currency denominated of such borrowings are offsetted and disclosed under financial liabilities.

The gain or loss relating to the ineffective portions of cross currency swaps and forward transactions that are designated for hedging is recognised in the statement of profit or loss. Amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss in the periods when the hedged item affects profit or loss (when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portions of cross currency swap transactions is recognised in other comprehensive income (Note 5).

2.4.19 Reporting of cash flows

Statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Company's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Company's acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Company's changes in the size and composition of the contributed equity and borrowings.

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 3).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.20 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4.21 Provision for warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses within two years for products sold under the scope of the warranty terms.

2.4.22 Financial assets

Financial assets within the scope of TAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4.23 Events after the reporting period

Events after the reporting period comprise any event between the reporting date and the date of authorization of the financial statements, even if the event after balance sheet date occurred subsequent to an announcement on the Company's profit or following any financial information that are released.

2.4.24 Impairment on assets

At each reporting date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any impairment in its assets. In the case of an impairment on assets, the recoverable amount of the assets, if any, is measured so that the amount of impairment can be determined. Where the recoverable amount of an asset can not be measured, the Company measures the recoverable amount of the cash-generating unit associated with the asset. If a reasonable and consistent allocation basis is determined, the Company assets are distributed to the cash-generating units. Where this is not possible, the Company assets are distributed to the smallest cash-generating units for the purpose of establishing a reasonable and consistent allocation basis

When the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Where the related asset is not measured at revalued amount, the impairment loss is recognized directly in profit or loss. In this case the impairment loss is regarded as revaluation value decrease.

When the impairment loss is expected to be reversed in subsequent periods, the carrying amount of the asset (or the related cash-generating unit) is increased to correspond to the revised estimate for the recoverable amount. The increased carrying amount should not exceed the carrying amount of the asset (or the related cash-generating unit) in the event that the impairment loss for the asset was not allocated in the previous periods. The reversal of an impairment loss is recognized directly in profit or loss unless the asset is measured at a revalued amount.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.25 Comparatives and restatement of prior period financial statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

The credit card receivables amounting to TL 88.960.672, with maturity less than 3 months, previously presented in trade receivables have been reclassified as cash and cash equivalents as of 31 December 2016. The effect of this classification is taken into account in the cash flow statement as at 31 December 31 2016.

Cash flows previously classified under cash flows from investing activities has been reclassified as cash flows from operating activities as at 31 December 2016.

In preparing the financial statements in accordance with TAS, the Company management is required to make assumptions and estimates that will affect the reported amounts of assets and liabilities, probable liabilities and commitments that arise as of the reporting date, and income and expense amounts in the reporting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, they may differ from actual results. Estimates are regularly reviewed, necessary corrections are made and they are reflected in the period profit or loss table. Significant accounting estimates and assumptions used for the preparation of the financial statements as of December 31, 2017 are consistent with the significant accounting estimates and assumptions used for the preparation of the financial statements as of December 31, 2016.

2.4.26 Reporting by segments

The Company carries out sales of radial, passenger cars, vans, minibuses, trucks, bus tires and back tires, as well as radial and conventional tires for heavy equipments and various tube-lights and columns. The Company's field of activity, the nature and economic characteristics of the products, the production processes, the classification of the customers according to their risks and the methods used to distribute the products are similar. For this reason, in line with the management approach, the Company's operations are considered as a single business segment and and the results of the Company, determination of the resources to be allocated to this activity, and the performance of these activities are evaluated in this framework.

2.5 Critical Accounting Judgments, Estimates and Assumptions

Useful lives of tangible and intangible assets

Tangible and intangible assets are stated at historical cost less depreciation and net of any impairment, if any. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made (Note 10 - 11).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Critical Accounting Judgments, Estimates and Assumptions (Cont'd)

Provision for doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by the past payment performance and the financial position of customers (Note 6).

Fair value of derivatives and other financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined using valuation techniques based on market rates and expected yields. Fair value of non-derivative financial instruments is determined based on the present value of future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date (Note 5).

Other provisions

Provisions are recognised 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 (Note 12).

Deferred tax assets

As at 31 December 2017, the Company estimates that the Company will be able to benefit from reduced corporate tax rates in the future over the scope of the incentive investment documents. The Company recognized deferred tax assets for the foreseeable three years since it is not predictable how long the benefit will be utilized. (Note 22).

Net realizable value

In accordance with the accounting policy stated in Note 2.4, inventories are valued at the lower of cost or net realizable value. Net realizable value is the amount obtained by deducting the estimated cost of completion from the estimated selling price and the estimated cost of sales required to realize the sale in the ordinary course of business.

Internally-generated intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated. The technical feasibility of completing the intangible asset so that it will be available for use or sale, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Critical Accounting Judgments, Estimates and Assumptions (Cont’d)

Internally-generated intangible assets (Cont’d)

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

In the current year, the Company management re-examined the probable economic benefits of the internally generated intangible assets. The Company management expects the projects to continue as expected and relying on the analysis performed, expects them to create similar economic benefits. The management is sure about being able to recover the carrying values of the assets even though their economic benefits decrease. The aforementioned situation is followed up closely by the Company management who will make the necessary adjustments if required by the future market transactions.

3. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash	5.814	6.444
Banks	194.510.240	174.690.330
Demand deposits	20.854.094	19.240.837
Time deposits	3.528.028	-
Credit card slip receivables	170.128.118	155.449.493
	194.516.054	**174.696.774**

Nature and extent of the risks on cash and cash equivalents are described at Note 25. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks.

As of the balance sheet date, the Company’s time deposits are as follows:

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
Euro	406.036	17.01.2018	1,75%	1.833.455
USD	449.262	17.01.2018	3,50%	1.694.573
				3.528.028

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

4. FINANCIAL LIABILITIES

Bank Borrowings

	31 December 2017		31 December 2016	
	Weighted average effective interest rate %	**TL**	**Weighted average effective interest rate %**	**TL**
Short-term bank borrowings				
TL denominated borrowings	13,10	43.347.269	10,93	459.582.804
		43.347.269		**459.582.804**
Short-term portion of long-term borrowings				
TL denominated borrowings	12,50	37.332.168	12,50	2.986.110
Euro denominated borrowings	-	-	0,75	33.524.048
USD denominated borrowings(*)	2,07	419.299.358	1,41	433.920.641
		456.631.526		**470.430.799**
Total short-term borrowings		**499.978.795**		**930.013.603**
Long-term bank borrowings				
TL denominated borrowings	12,82	238.639.928	12,50	50.000.000
USD denominated borrowings (*)	2,89	1.383.709.938	2,03	1.073.356.000
Total long-term borrowings		**1.622.349.866**		**1.123.356.000**
Total borrowings		**2.122.328.661**		**2.053.369.603**
Short-term portion of long term bank borrowings		(92.334.000)		(192.932.000)
Long-term bank borrowings		-		(77.172.000)
Cumulative foreign currency differences from cross-currency and interest rate swap(*)		**(92.334.000)**		**(270.104.000)**
Net financial borrowings		**2.029.994.661**		**1.783.265.603**

(*) As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 92.334.000 and TL 270.104.000 in 2017 and 2016, respectively are offset and disclosed under financial liabilities since foreign currecny of these loans were fixed with the cross currency swap contracts obtained by the same financial instutions (Note 5). There are loan commission and expense amounting to TL 3.583.092 and TL 14.260.331 that net off with the borrowings in the short-term portion of long-term borrowings, and in the long-term bank borrowings, respectively.

As of 31 December 2017 and 2016, all of the bank borrowings consist of unsecured bank loans.

	31 December 2017	31 December 2016
Opening balance	1.783.265.603	1.101.070.929
Net cash flow	203.859.845	594.858.674
Foreign currency exchange differences	55.907.500	87.336.000
Other	(13.038.287)	-
Closing balance	**2.029.994.661**	**1.783.265.603**

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

4. FINANCIAL LIABILITIES (Cont’d)

Bank Borrowings (Cont’d)

Repayment schedules of borrowings are summarised below:

	31 December 2017			31 December 2016		
	Bank borrowings	**Cumulative foreign currency differences from cross-currency and interest rate swap**	**Bank borrowings (Net)**	**Bank borrowings**	**Cumulative foreign currency differences from cross-currency and interest rate swap**	**Bank borrowings (Net)**
2017	-	-	-	930.013.603	(192.932.000)	737.081.603
2018	499.978.795	(92.334.000)	407.644.795	227.705.056	(77.172.000)	150.533.056
2019	272.550.455	-	272.550.455	101.290.611	-	101.290.611
2020	534.499.764	-	534.499.764	217.864.111	-	217.864.111
2021	329.115.931	-	329.115.931	217.864.111	-	217.864.111
2022	256.617.995	-	256.617.995	206.866.611	-	206.866.611
2023	175.779.158	-	175.779.158	151.765.500	-	151.765.500
2024	51.472.803	-	51.472.803	-	-	-
2025	2.313.760	-	2.313.760	-	-	-
	2.122.328.661	**(92.334.000)**	**2.029.994.661**	**2.053.369.603**	**(270.104.000)**	**1.783.265.603**

Company’s significant bank borrowings are summarized as follows:

a) Borrowing amounting to USD 40 million has been used on 24 March 2014 , with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 89.280.000, once in a six month interest installment over 11,9 % rate and the USD exchange rate to TL 2,2320.

b) Borrowing amounting to USD 20 million has been used on 30 April 2014, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 44.700.000, once in a six month interest installment over 11,9% rate and the USD exchange rate to TL 2,2350.

c) Borrowing amounting to USD 25 million has been used on 29 May 2015, with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of USLibor+1,000 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 66.250.000, once in a six month interest installment over 11,25% rate and the USD exchange rate to TL 2,6500.

d) Borrowing amounting to USD 25 million has been used on 4 February 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+0,8615 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 73.925.000, once in a three month interest installment over 12,70% rate and the USD exchange rate to TL 2,9570.

4. FINANCIAL LIABILITIES (Cont’d)

Bank Borrowings (Cont’d)

e) Borrowing amounting to USD 25 million has been used on 4 March 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+0,8692 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 73.925.000, once in a three month interest installment over 12,70% rate and the USD exchange rate to TL 2,9570.

f) Borrowing amounting to USD 80 million has been used on 26 August 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+1,30 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 237.600.000, once in a three month interest installment over 10,72% rate and the USD exchange rate to TL 2,9700.

g) Borrowing amounting to USD 90 million has been used on 12 December 2016, with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of USLibor+1,90 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 347.535.000 on 31 January 2017, once in a six month interest installment over 13,9650% rate and the USD exchange rate to TL 3,8615.

h) Borrowing amounting to TL 50 million has been used on 4 March 2016 with 6 years and 4 months maturity, no principal payment in 2 years and 4 months and once in a six month interest installement. Annual interest rate of the borrowing is 12,50 %.

i) Spot borrowing amounting to TL 90,6 million has been used on 27 March 2017 , with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of 13,15% rate.

j) Borrowing amounting to USD 40 million has been used on 29 March 2017, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+1,30 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 144.960.000 once in a three month interest installment over 12,22% rate and the USD exchange rate to TL 3,6240.

k) Borrowing amounting to USD 40 million has been used on 12 June 2017, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+1,30 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 140.560.000, once in a three month interest installment over 11,8950% rate and the USD exchange rate to TL 3,5140.

l) Spot borrowing amounting to TL 123,2 million has been used on 22 June 2017 , with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of 12,58% rate.

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

4. FINANCIAL LIABILITIES (Cont’d)

Bank Borrowings (Cont’d)

m) Borrowing amounting to USD 60 million has been used on 18 October 2017, with a maturity of 3 years and a once in a three month interest installment of USLibor+1,15 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 218.400.000, once in a three month interest installment over 12,3835% rate and the USD exchange rate to TL 3,6400.

n) Borrowing amounting to USD 30 million has been used on 15 December 2017, with a maturity of 7 years, no principal payment in first two years and a once in a three month interest installment of USLibor+1,30 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 115,335,000, once in a three month interest installment over 13,1050% rate and the USD exchange rate to TL 3,8445.

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Cross-currency and interest rate swaps	-	2.556.198	-	1.279.614
Option	-	199.187	-	-
Foreign exchange forward contracts	115.529	3.304.400	3.077.383	1.295.700
Short-term	**115.529**	**6.059.785**	**3.077.383**	**2.575.314**
Cross-currency and interest rate swaps	185.075.543	22.268.055	100.025.565	4.560.575
Long-term	**185.075.543**	**22.268.055**	**100.025.565**	**4.560.575**
	185.191.072	**28.327.840**	**103.102.948**	**7.135.889**

In order to mitigate the foreign currency risks arising from US Dollar denominated raw material purhases and in order to mitigate the foreign currency risk arising from US Dollar and Euro short position , the Company enters into TL Selling/ US Dollar Buying and TL selling/Euro Buying and TL buying/US Dollar Selling forward contracts. Transactions in the first group are carried out within the framework of cash flow hedge accounting and change in fair values are recognized in equity accounts.

As of 31 December 2017, the Company’s various forward contracts’ due on 30 January 2018 with a total TL 146.296.200 selling and US Dollar 38.000.000 buying, TL 18.402.400 selling and Euro 4.000.000 buying purposes and has an average USD foreign exchange rate of TL 3,8499 and Euro foreign exchange rate of TL 4,6006 causing a liability of TL 3.304.400 (31 December 2016: of TL 1.295.700 liability).

As of 31 December 2017, the Company’s option contracts’ have various maturities with a total TL 81.418.530 selling and US Dollar 21.000.000 buying, TL 31.515.000 buying and US Dollar 8.250.000 selling purposes and has an average USD buying foreign exchange rate of TL 3,8771 and USD selling foreign exchange rate of TL 3,8200 (31 December 2016: 3,4928) causing a liability of TL 83.658 (31 December 2016: of TL 3.077.383 asset).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term borrowing amounting to USD 40 million used on 24 March 2014 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 89.280.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,2320. As of 31 December 2017, Company has a total asset of TL 60.336.180 arising from this swap transaction (31 December 2016: TL 48.060.063 asset).

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term borrowing amounting to USD 20 million used on 30 April 2014 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 44.700.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,2350. As of 31 December 2017, Company has a total asset of TL 29.441.622 arising from this swap transaction (31 December 2016: TL 24.551.362 assets).

In order to mitigate the floating USLibor+1,00 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 25 million used on 29 May 2015 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 66.250.000 and the interest rate to 11,25 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,65. As of 31 December 2017, Company has a total asset of TL 30.494.849 arising from this swap transaction (31 December 2016: TL 22.474.047 assets).

In order to mitigate the floating USLibor+0,8615 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 25 million used on 4 February 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 73.925.000 and the interest rate to 12,70 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9570. As of 31 December 2017, Company has a total asset of TL 20.187.806 arising from this swap transaction (31 December 2016: TL 10.006.834 assets).

In order to mitigate the floating USLibor+0,8692 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 25 million used on 4 March 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 73.925.000 and the interest rate to 12,70 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9570. As of 31 December 2017, Company has a total asset of TL 20.719.143 arising from this swap transaction (31 December 2016: TL 10.667.212 assets).

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 80 million used on 26 August 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 237.600.000 and the interest rate to 10,72 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9700. As of 31 December 2017, Company has a total asset of TL 80.438.515 arising from this swap transaction (31 December 2016: TL 56.877.473 assets).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating USLibor+1,90 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 90 million used on 12 December 2016 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 347.535.000 and the interest rate to 13,9650 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 3,8615. As of 31 December 2017, Company has a total liability of TL 16.308.062 arising from this swap transaction.

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 40 million used on 29 March 2017 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 144.960.000 and the interest rate to 12,22 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 3,6240. As of 31 December 2017, Company has a total asset of TL 7.997.495 arising from this swap transaction.

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 40 million used on 12 June 2017 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 140.560.000 and the interest rate to 11,8950 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 3,5140. As of 31 December 2017, Company has a total asset of TL 16.005.693 arising from this swap transaction.

In order to mitigate the floating USLibor+1,15 interest rate and foreign currency risk of the 3 year-term borrowing amounting to USD 60 million used on 18 October 2017 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 218.400.000 and the interest rate to 12,3835 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 3,6400. As of 31 December 2017, Company has a total asset of TL 9.232.041 arising from this swap transaction.

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing amounting to USD 30 million used on 15 December 2017 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 115.335.000 and the interest rate to 13,1050 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 3,8445. As of 31 December 2017, Company has a total liability of TL 5.959.993 arising from this swap transaction.

As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 92.334.000 and TL 270.104.000 in 2017 and 2016 respectively are offset and disclosed under financial liabilities due to foreign currecny of these loans were fixed with the cross currency swap contracts obtained by the same financial instutions (Note 5).

Quoted prices in markets for similar instruments are used as a basis in valuation of derivative instruments.

During the current period, income amounting to TL 18.343.610 (2016: TL 4.686.835 income) **has been** recognized in profit or loss regarding **with the derivative financial instruments that are du**e loss.

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

6. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

As of the balance sheet date, the Company's trade receivables are as follows:

Short-term trade receivables	31 December 2017	31 December 2016
Trade receivables	804.577.595	753.881.866
Notes receivables	17.881.065	12.098.698
Trade receivables from related parties (Note 24)	21.514.565	20.928.831
Unearned credit finance income	(13.274.987)	(11.750.414)
Doubtful receivables provision (-)	(75.401.796)	(38.242.577)
	755.296.442	**736.916.404**

Long-term trade receivables	31 December 2017	31 December 2016
Trade receivables	76.918.143	46.717.535
Notes receivables	479.938	350.289
Doubtful receivables provision (-)	(27.986.752)	-
	76.918.143	**46.717.535**

As of 31 December 2017, the maturities of trade receivables are 173 days (2016: 111 days) on average and they are discounted with average annual interest rates of 12,47% (2016: 10,39%).

As of 31 December 2017, the receivables from third parties amounting to TL 78.730.673 (2016: TL 199.983.335) were past due but not impaired.

As of 31 December 2017, collaterals amounting to TL 39.091.027 have been received for receivables from third parties (2016: TL 57.914.773).

The aging of these receivables as of 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Between 0 - 1 months	24.591.862	45.026.152
Between 1 - 3 months	31.902.499	53.436.120
Between 3 - 12 months	22.236.312	101.521.063
	78.730.673	**199.983.335**

As of 31 December 2017, trade receivables amounting to TL 103.388.548 (2016: TL 38.242.577) were overdue and impaired.

The allowance for doubtful receivables is determined based on past experiences of collection of receivables.

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

6. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Trade Receivables (Cont'd)

Movements in provision for doubtful receivables as of 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening balance	38.242.577	9.046.007
Period charge (*)	68.920.271	31.442.572
Collections	(3.774.300)	(441.446)
Reversals	-	(1.804.556)
Closing balance	**103.388.548**	**38.242.577**

(*) As of 31 Decemer 2017, the foreign currency exchange difference losses amounting to TL 687.409 arise from the doubtful receivables in foreign currency (2016: TL 347.270 foreign currency losses).

Trade Payables

As of the balance sheet date, the Company's trade payables detail is as follows:

Short-term trade payables	31 December 2017	31 December 2016
Trade payables	362.607.835	219.989.907
Trade payables to related parties (Note 24)	230.009.776	141.026.215
Unrealised finance expense due to credit purchases	(5.108.113)	(1.266.415)
	587.509.498	**359.749.707**

Long-term trade payables	31 December 2017	31 December 2016
Trade Payables	11.521	28.456
	11.521	**28.456**

As of 31 December 2017 and 2016, the maturities of trade payables are 71 days and 52 days on average and they are discounted with average annual interest rates of 12,47% and 10,39% respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

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

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Short-term Receivables	31 December 2017	31 December 2016
Other receivables from related parties (Note 24)	6.731.773	92.099
Receivables from tax office	4.087.946	4.204.206
Due from personnel	2.548.717	5.019.899
Other	2.780.104	1.511.622
	16.148.540	**10.827.826**

Other Long-term Receivables	31 December 2017	31 December 2016
Deposits and guarantees given	135.285	131.280
	135.285	**131.280**

Other Payables

Other Payables	31 December 2017	31 December 2016
Other payables to public authorities	6.090.697	5.220.923
Deposits and guarantees taken	6.233.119	-
Other payables to related parties (Note 24)	951.582	700.557
	13.275.398	**5.921.480**

8. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	70.435.742	50.953.519
Materials and supplies	58.345.025	55.447.998
Semi-finished goods	25.065.296	17.682.814
Finished goods	106.708.035	96.091.716
Trade goods	65.519.883	100.737.706
Goods in transit	76.210.877	49.279.221
Impairment on inventories	(9.059.487)	(6.125.065)
	393.225.371	**364.067.909**

Provision for impairment on inventories is shown in cost of goods and marketing expenses.

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

8. INVENTORIES (Cont’d)

Movements in provision for impairment on inventories are as follows:

	31 December 2017	31 December 2016
Opening balance	6.125.065	612.896
Period charge	2.934.422	5.512.168
Closing balance	**9.059.487**	**6.125.064**

9. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2017	31 December 2016
Advances given to dealers (*)	11.237.357	16.527.551
Prepaid expenses	6.257.391	9.046.435
Advances given to suppliers	2.856.284	3.491.487
Prepaid loan commission	258.036	2.165.073
	20.609.068	**31.230.546**

Long-term Prepaid Expenses	31 December 2017	31 December 2016
Advances given to dealers (*)	13.040.363	26.562.815
Prepaid expenses	8.426.935	2.032.214
Advances given for fixed assets(**)	4.789.999	142.452.846
Prepaid loan commision	2.150.304	13.281.556
	28.407.601	**184.329.431**

(*) Consists of advances given to dealers which are to be offset with sales premiums.

(**) TL 878.959 of advance is mainly given to construction companies as the part of investment for Aksaray Factory (31 December 2016: 132.787.547).

Short-term Deferred Income	31 December 2017	31 December 2016
Advances received	8.093.632	9.982.194
Deferred income	937.119	4.628.292
	9.030.751	**14.610.486**

Long-term Deferred Income	31 December 2017	31 December 2016
Deferred Income	457.759	6.750.733
	457.759	**6.750.733**

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

10. PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Transfers(*)	Disposals	31 December 2017
Cost					
Land and land improvements	16.524.743	-	1.663.625	(269.982)	17.918.386
Buildings	253.978.802	96.825	5.564.266	-	259.639.893
Machinery and equipment	1.570.642.260	160.446	74.489.789	(227.213)	1.645.065.282
Motor vehicles	7.334.121	349.415	1.510.502	(344.741)	8.849.297
Furniture and fixtures	87.415.668	5.610.740	7.292.220	(48.986)	100.269.642
Other fixed assets	84.262.317	14.600.097	37.221	(732.115)	98.167.520
Construction in progress	453.806.275	689.984.038	(103.181.105)	(5.852.096)	1.034.757.112
	2.473.964.186	**710.801.561**	**(12.623.482)**	**(7.475.133)**	**3.164.667.132**
Accumulated depreciation					
Land and land improvements	10.778.374	89.881	-	-	10.868.255
Buildings	151.847.699	4.077.010	-	-	155.924.709
Machinery and equipment	1.154.038.101	65.512.227	-	(227.213)	1.219.323.115
Motor vehicles	4.067.361	837.959	-	(222.908)	4.682.412
Furniture and fixtures	34.500.811	8.810.601	-	(15.173)	43.296.239
Other fixed assets	29.208.872	8.661.058	-	(257.749)	37.612.181
	1.384.441.218	**87.988.736**	**-**	**(723.043)**	**1.471.706.911**
Net book value	**1.089.522.968**	**622.812.825**	**(12.623.482)**	**(6.752.090)**	**1.692.960.221**

(*) TL 12.623.482 of construction of progress, transferred to intangible assets at the current year. (2016: 7.169.121 TL)

For the year ended 31 December 2017, TL 63.323.693 of the depreciation expense is charged to “cost of goods sold”, TL 217.552 is charged to “research and development expenses”, TL 15.625.724 is charged to “selling and marketing expenses”, TL 2.407.487 charged to general administrative expenses”, TL 4.715.261 of the depreciation expense is charged to “inventories”, TL 1.699.019 of the depreciation expense is charged to “capitalized development costs”,

As of 31 December 2017 there are no mortgages on property, plant and equipment and intangible assets (2016: None).

The capitalized borrowing cost is TL 67.802.975 for the year ended 31 December 2017 (2016: 27.742.226).(Note:21)

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

10. PROPERTY, PLANT AND EQUIPMENT (Cont’d)

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Land and land improvements	16.504.173	10.500	10.070	-	16.524.743
Buildings	242.964.402	77.204	10.937.196	-	253.978.802
Machinery and equipment	1.458.025.673	53.712	113.338.153	(775.278)	1.570.642.260
Motor vehicles	6.060.228	1.051.563	225.630	(3.300)	7.334.121
Furniture and fixtures	67.684.359	4.669.066	15.086.134	(23.891)	87.415.668
Other fixed assets	69.577.144	13.952.275	894.729	(161.831)	84.262.317
Construction in progress	126.218.541	475.248.767	(147.661.033)	-	453.806.275
	1.987.034.520	**495.063.087**	**(7.169.121)**	**(964.300)**	**2.473.964.186**
Accumulated depreciation					
Land and land improvements	10.737.566	40.808	-	-	10.778.374
Buildings	148.394.984	3.452.715	-	-	151.847.699
Machinery and equipment	1.098.346.947	56.054.568	-	(363.414)	1.154.038.101
Motor vehicles	3.425.306	645.355	-	(3.300)	4.067.361
Furniture and fixtures	27.678.265	6.827.396	-	(4.850)	34.500.811
Other fixed assets	22.304.493	7.039.047	-	(134.668)	29.208.872
	1.310.887.561	**74.059.889**	**-**	**(506.232)**	**1.384.441.218**
Net book value	**676.146.959**	**421.003.198**	**(7.169.121)**	**(458.068)**	**1.089.522.968**

For the year ended 31 December 2016, TL 44.652.940 of the depreciation expense is charged to “cost of goods sold”, TL 298.586 is charged to “research and development expenses”, TL 12.376.769 is charged to “selling and marketing expenses”, TL 2.480.058 charged to general administrative expenses”, TL 12.740.024 of the depreciation expense is charged to “inventories”, TL 1.511.512 of the depreciation expense is charged to “capitalized development costs”

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

11. INTANGIBLE ASSETS

	1 January 2017	Additions	Transfers	Disposals	31 December 2017
Cost					
Capitalized development costs	23.962.578	-	6.628.807	-	30.591.385
Rights	92.098.485	201.547	-	-	92.300.032
Other intangible assets	54.945.856	1.398.720	5.994.675	(7.500)	62.331.751
	171.006.919	**1.600.267**	**12.623.482**	**(7.500)**	**185.223.168**
Accumulated depreciation					
Capitalized development costs	5.361.830	5.367.318	-	-	10.729.148
Rights	58.984.442	10.158.567	-	-	69.143.009
Other intangible assets	35.743.439	8.589.356	-	(5.125)	44.327.670
	100.089.711	**24.115.241**	**-**	**(5.125)**	**124.199.827**
Net book value	**70.917.208**	**(22.514.974)**	**12.623.482**	**(2.375)**	**61.023.341**

For the year ended 31 December 2017, TL 6.553.310 of the amortisation expense is charged to "cost of goods sold", TL 3.238 is charged to "research and development expenses" , TL 12.400.765 is charged to "selling and marketing expenses", TL 4.618.984 expense is charged to "general administrative expenses", TL 487.978 is included in "inventories", TL 50.966 of the depreciation expense is charged to "capitalized development costs".

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Capitalized development costs	11.164.984	12.797.594	-	-	23.962.578
Rights	80.333.073	11.765.412	-	-	92.098.485
Other intangible assets	45.343.322	2.835.500	7.169.121	(402.087)	54.945.856
	136.841.379	**27.398.506**	**7.169.121**	**(402.087)**	**171.006.919**
Accumulated depreciation					
Capitalized development costs	2.001.484	3.360.346	-	-	5.361.830
Rights	48.542.630	10.441.812	-	-	58.984.442
Other intangible assets	28.781.468	7.301.683	-	(339.712)	35.743.439
	79.325.582	**21.103.841**	**-**	**(339.712)**	**100.089.711**
Net book value	**57.515.797**	**6.294.665**	**7.169.121**	**(62.375)**	**70.917.208**

For the year ended 31 December 2016, TL 1.485.116 of the amortisation expense is charged to "cost of goods sold", TL 3.367.536 is charged to "research and development expenses" , TL 10.806.842 is charged to "selling and marketing expenses", TL 5.002.393 expense is charged to "general administrative expenses", TL 423.721 is included in "inventories", TL 18.233 of the depreciation expense is charged to "capitalized development costs".

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

12. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

Short-term provisions	31 December 2017	31 December 2016
Provision for lawsuits	5.503.105	2.310.762
Provision for warranty claims	470.316	447.488
Other	1.365.207	879.484
	7.338.628	**3.637.734**

Provision for lawsuits consists of reemployment and occupational accident lawsuits against Company.

The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under the Company’s 24-month warranty program for tires. The estimate has been made on the basis of historical warranty expenses.

Movements of provisions during the period are as follows:

	Lawsuits	Warranty claims	Other	Total
01 January 2017	2.310.762	447.488	879.484	3.637.734
Additions	3.570.067	22.828	530.812	4.123.707
Payments/ reversals	(377.724)	-	(45.089)	(422.813)
31 December 2017	**5.503.105**	**470.316**	**1.365.207**	**7.338.628**

	Lawsuits	Warranty claims	Other	Total
01 January 2016	1.863.359	866.717	5.048.562	7.778.638
Additions	860.332	426.850	393.892	1.681.074
Payments/ reversals	(412.929)	(846.079)	(4.562.970)	(5.821.978)
31 December 2016	**2.310.762**	**447.488**	**879.484**	**3.637.734**

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

13. COMMITMENTS

Guarantees Received	31 December 2017	31 December 2016
Direct debiting system limits	236.245.203	209.784.260
Letter of guarantees received	356.835.324	292.580.807
Export insurance	96.722.010	63.365.092
Mortgages	131.441.777	83.548.052
Cheques and notes receivables received as guarantee	27.978.665	30.372.750
Letter of credit	4.825.376	6.717.079
Payment guarantees obtained from banks	9.596.985	6.128.330
Foreign currency blockage received as guarantee	-	4.875.121
	863.645.340	**697.371.491**

The Company has obtained bank collaterals and guarantee cheques and notes from its suppliers due to advances given to suppliers for purchases of goods and services.

In addition, the Company has guarantees comprising letters of guarantee received to minimise customer credit risk in forward sales made to domestic customers, encumbrances, debentures and limits for government debt securities allocated to customers through banks and export insurance, bank letters of guarantee, letters of credit, cash blockage and export factoring for trade receivables due from foreign customers on the basis of credit risk management.

Company’s total guarantees received from international export insurance company in order to carry out open account transactions with overseas customers have been disclosed as export insurance.

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

13. COMMITMENTS (Cont’d)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2017 and 2016 collaterals, pledges and mortgages (“CPM”) given by the Company is as follows:

		2017			2016		
CPM given by the Company		**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
A.	Total of CPMs given on behalf of own legal personality	TL	7.598.666	7.598.666	TL	7.276.268	7.276.268
		USD	1.644.896	6.204.383	USD	729.951	2.568.844
		EURO	3.736.434	16.871.868	EURO	2.295.936	8.517.693
B.	Total of CPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
C.	CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D.	Total amount of other CPM						
	i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-
	ii) Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-
	iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
				30.674.917			**18.362.805**

The ratio of other CPM to equity is 0% (2016: 0%)

There are no CPMs given by the Company on behalf of third parties, other than those given on behalf of the Company itself. The guarantees given by the Company comprise guarantees to customs office for import transactions made under the inward processing certificate, guarantees to executive offices for labour matters, guarantees to several governmental institutions to participate in several tenders and guarantee letters to Eximbank A.Ş. for borrowings.

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

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2017	31 December 2016
Accrued salaries and wages	3.552.038	3.042.168
Accrued social security premiums	14.230.483	12.355.799
Witholding personnel income tax	6.964.201	6.682.149
	24.746.722	**22.080.116**

Short-term provisions for employee benefits

	31 December 2017	31 December 2016
Bonus accruals	15.376.405	4.650.000
Unused vacation pay provision	4.896.859	4.196.095
	20.273.264	**8.846.095**

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay	Total
1 January 2017	4.650.000	4.196.095	8.846.095
Additions	15.376.405	1.408.101	16.784.506
Payments/ Cancellations	(4.650.000)	(707.337)	(5.357.337)
31 December 2017	**15.376.405**	**4.896.859**	**20.273.264**

	Bonus accruals	Unused vacation pay	Total
1 January 2016	7.045.292	3.785.422	10.830.714
Additions	4.650.000	917.057	5.567.057
Payments/ Cancellations	(7.045.292)	(506.384)	(7.551.676)
31 December 2016	**4.650.000**	**4.196.095**	**8.846.095**

Provision for retirement pay liability:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or 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 for each period of service at 31 December 2017 (31 December 2016: TL 4.297,21).

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

14. EMPLOYEE BENEFITS (Cont'd)

Provision for retirement pay liability (cont'd)

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions used in the calculation of the total liability as these actuarial assumptions are detailed below:

	31 December 2017	31 December 2016
Discount rate (%)	4,72	3,30

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of TL 5.001,76 effective from 1 January 2018 (1 January 2017: TL 4.426,16) has been taken into consideration in calculation of provision from employee termination benefits. As of 31 December 2017 rates of voluntary employee withdrawal is 3,15%.

The movement of employee termination benefits is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
As of 1 January	53.413.359	46.586.111
Service cost	5.338.180	9.671.138
Interest cost	5.463.222	1.541.554
Payments during the year	(3.308.219)	(4.385.444)
Actuerial loss / (gain)	(12.538.329)	-
As of 31 December	**48.368.213**	**53.413.359**

15. OTHER ASSETS AND LIABILITES

Other Current Assets	31 December 2017	31 December 2016
Deferred VAT	20.482.797	11.860.772
Other current assets	577.902	49.173
	21.060.699	**11.909.945**

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

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The Company's authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2016: 30.511.687.500 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2017 and 2016 are as follows:

Shareholders	(%)	2017	(%)	2016
H.Ö. Sabancı Holding A.Ş.	43,63	133.111.388	43,63	133.111.388
Bridgestone Corporation	43,63	133.111.388	43,63	133.111.388
Other	12,74	38.894.099	12,74	38.894.099
Total paid-in share capital	**100,00**	**305.116.875**	**100,00**	**305.116.875**

Restricted reserves and retained earnings

As of 31 December 2017 profit reserves comprise the legal reserves amounting to TL 117.202.932 (2016: TL 114.135.542).

The Company's equity is as follows:

	31 December 2017	31 December 2016
Restricted reserves	117.202.932	114.135.542
Net income for the period	95.203.492	80.112.628
Retained earnings	96.094.307	19.049.069
Total equity	**308.500.731**	**213.297.239**

Dividend Distribution:

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 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 associations.

Other Comprehensive Income That Will Be Reclassified to Profit or (Loss)

	Hedging Reserve (Losses) /Gains	Actuarial (Losses)/Gains
As of 1 January 2016 (Openning balance)	**924.403**	**(3.546.159)**
Current year increase / (decrease)	(746.128)	-
Tax effect	149.226	-
As of 31 December 2016 (Closing balance)	**327.501**	**(3.546.159)**
As of 1 January 2017 (Openning balance)	**327.501**	**(3.546.159)**
Current year increase / (decrease)	10.074.756	12.538.329
Tax effect	(2.014.951)	(2.507.666)
As of 31 December 2017 (Closing balance)	**8.387.306**	**6.484.504**

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

17. SALES AND COST OF GOODS SOLD

Revenue	1 January-31 December 2017	1 January-31 December 2016
Sales	2.529.061.050	1.973.955.733
Sales returns (-)	(14.648.115)	(25.394.690)
Sales discounts (-)	(161.828.411)	(133.082.431)
Other sales discounts (-)	(58.448.549)	(49.005.621)
Net Sales	**2.294.135.975**	**1.766.472.991**
Cost of sales	(1.682.952.842)	(1.247.912.326)
Gross profit	**611.183.133**	**518.560.665**

18. EXPENSES BY NATURE

	1 January-31 December 2017	1 January-31 December 2016
Raw materials used	1.036.448.684	669.541.944
Personnel expenses	335.798.450	298.971.149
Cost of trade goods sold	242.054.164	191.511.182
Depreciation and amortization	105.150.753	80.470.240
Production overheads	105.535.199	97.942.626
Advertisement expenses	81.255.255	75.236.425
Royalty expenses	37.766.540	31.068.768
Warehouse and office rent expenses	3.436.429	13.503.078
Communication and information technology expenses	14.707.652	11.291.208
ELT (end of life-tire) management service	1.188.475	4.146.999
Service, maintenance expenses	5.904.261	5.770.347
Real estate and stamp tax expenses	3.753.324	5.148.339
Transportation and storage expenses	6.767.180	8.649.803
Energy expenses	2.215.336	1.813.706
Claims for defective tires	2.806.308	1.582.334
Insurance expenses	1.705.597	2.650.496
Change in work in progress	(5.265.110)	(77.980)
Change in finished goods	(4.523.130)	26.774.279
Other	99.431.529	73.958.766
	2.076.136.896	**1.599.953.709**

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

18. EXPENSES BY NATURE (Cont’d)

The functional breakdown of depreciation, amortisation and personnel expenses is as follows:

Depreciation and amortization expenses	1 January- 31 December 2017	1 January- 31 December 2016
Cost of sales	69.877.003	46.138.056
Marketing, selling and distribution expenses	28.026.489	23.183.611
General administrative expenses	7.026.471	7.482.451
Research and development expenses	220.790	3.666.122
	105.150.753	**80.470.240**

Personnel expenses	1 January- 31 December 2017	1 January- 31 December 2016
Cost of sales	238.826.034	215.791.729
General administrative expenses	45.517.217	37.574.428
Marketing, selling and distribution expenses	50.629.353	44.281.280
Research and development expenses	825.846	1.323.712
	335.798.450	**298.971.149**

19. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2017 ve 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Finance income on credit sales	68.459.374	50.057.341
Interest income on credit sales	8.887.862	25.240.074
Interest income	307.313	451.064
Other income	5.609.721	3.484.513
	83.264.270	**79.232.992**

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

19. OTHER OPERATING INCOME AND EXPENSES (Cont'd)

Details of other operating expenses for years ended 31 December 2017 ve 2016 are as follows:

	1 January-31 December 2017	1 January-31 December 2016
Due date expenses on trade payables	29.044.692	12.517.977
Foreign exchange losses on operations, net (*)	8.513.454	3.158.575
Loss from derivative financial instruments, net	2.872.730	2.670.949
Other expenses	3.394.883	8.818.451
	43.825.759	**27.165.952**

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	1 January-31 December 2017	1 January-31 December 2016
Gain on sale of property, plant and equipment	300.032	357.307
	300.032	**357.307**

Expenses from Investing Activities	1 January-31 December 2017	1 January-31 December 2016
Loss on sale of property, plant and equipment	93.579	17.866
	93.579	**17.866**

21. FINANCIAL EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Interest expenses on borrowings	226.468.286	151.675.973
Interest expense included in cost of fixed assets	(67.802.975)	(27.742.226)
Total interest expense	158.665.311	123.933.747
Foreign currency (gains) / losses on borrowings, net	30.148.870	15.046.500
(Income)/Loss from derivative financial instruments,net	(28.477.067)	-
Interest expenses of financial leasing	-	400
Total financial expenses	**160.337.114**	**138.980.647**

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

22. TAXATION ON INCOME

Corporate tax

	31 December 2017	31 December 2016
Corporate tax payable	1.820.468	2.373.090
Less: Prepaid taxes	(2.051.121)	(1.730.663)
	(230.653)	**642.427**

As of December 31, 2017, the amount of prepaid tax expense amounting to TL 230.653, which is the portion exceeding the corporate tax payable, is included in the current tax assets.

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

	1 January-31 December 2017	1 January-31 December 2016
Current period corporate tax expense	1.820.468	2.373.090
Deferred tax (income) / expense	282.969	(2.540.602)
	2.103.437	**(167.512)**

Current period tax reconciliation for the years ended 31 December 2017 and 2016 is as follows:

Current tax provision reconciliation:	1 January-31 December 2017	%	1 January-31 December 2016	%
Profit before taxation on income	97.306.929		79.945.116	
Income tax rate %20 (2016: %20)	(19.461.386)	(20,00)	(15.989.023)	(20,00)
Tax effect:				
- non-taxable income	700.457	0,72	486.310	0,61
- non-deductible expenses	(475.448)	(0,49)	(1.109.309)	(1,39)
- reduced corporate tax deferred tax income/(loss)	(2.931.805)	(3,01)	6.812.379	8,52
- reduced corporate tax	15.652.201	16,09	9.967.155	12,47
- research and development incentive	1.362.652	1,40	-	-
- changing effect of inccome tax rate	3.049.892	3,13	-	-
Tax expense	**(2.103.437)**	**(2,16)**	**167.512**	**0,21**

22. TAXATION ON INCOME (Cont’d)

Deferred tax

Deferred tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

In Turkey, corporate tax rate is 20% as of 31 December 2017 (2016: 20%). However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated by 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and by 20% (2016: 20%) tax for those which will be realized after 2021 and onwards.

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

22. TAXATION ON INCOME (Cont'd)

Deferred tax

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2017 and 2016 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred income tax assets/ liabilities**	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred tax assets				
Provision for employement termination benefits	48.368.213	53.413.359	9.673.643	10.682.672
Allowance for doubtful receivables	81.970.124	29.594.900	18.033.427	5.918.980
Trade receivables	12.836.575	11.504.482	2.824.047	2.300.896
Derivative instruments	178.011.340	99.616.189	35.668.356	19.923.238
Provision for unused vacation liability	4.896.859	4.196.095	1.077.309	839.219
Provision for bonus premium	15.376.405	4.650.000	3.382.809	930.000
Provision for lawsuits	5.503.105	2.310.762	1.210.683	462.152
Provision for warranty claims	470.316	447.488	103.470	89.498
Inventories	25.120.700	10.764.549	5.526.554	2.152.910
Investment incentive	-	-	17.258.023	20.189.828
Other	806.879	-	177.513	-
	373.360.516	**216.497.824**	**94.935.834**	**63.489.393**
Deferred tax liabilities				
Property, plant and equipment	247.047.781	154.412.401	49.409.556	30.882.480
Trade payables	5.108.113	1.266.415	1.123.785	253.283
Forward foreign exchange valuation differences	185.191.072	101.807.248	37.038.214	20.361.450
Other	1.362.472	474.045	272.494	94.809
	438.709.438	**257.960.109**	**87.844.049**	**51.592.022**
Deferred tax assets, net			**7.091.785**	**11.897.371**

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

22. TAXATION ON INCOME (Cont’d)

Deferred Tax (cont’d)

The movements in deferred income tax assets / (liabilities) for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Opening as of 1 January	11.897.371	9.207.543
Recognised in profit or loss statement	(282.969)	2.540.602
Recognised in equity	(4.522.617)	149.226
Closing as of 31 December	**7.091.785**	**11.897.371**

Investment incentive certificate:

In accordance with the 40613 No. Letter on 10 June 2013 from T.C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, within the scope of No: 5534 Regional Incentive Applications dated 1 June 2010, in place of existing Investment Incentive Certificate amounting to TL 366.623.571, as a part of Large Scale Investments; Investment Incentive Certificate No. 5534/B amounting to TL 481.014.717 has been arranged. With the amendment mentioned above, the investment amount rose by TL 114.391.146, thus increasing the investment contribution rate from 20% to 30%. Tax deduction rate is 50%. The certificate has been completed on 20 May 2015 and the investment completion visa amounting to TL 472.729.954 was obtained on 29 June 2017.

The Company utilized reduced corporate tax amounting to TL 13.598.197 for the years ended between the years 2010-2016 and TL 1.820.468 for the period 1 January – 31 December 2017.

The Company’s application to T.C. Ministry of Economy Incentive Implementation and Foreign Capital Department for investment incentive in accordance with the investment decision of a second production plant construction in Aksaray Organized Industrial Zone has been approved and 13 February 2014 dated, 113798 numbered Investment Incentive Certificate has been arranged for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013. Investment contribution rate is 60% while the tax deduction rate is 90% for the investment certificate.

In accordance with the 67577454-401.07 - E.36663 numbered Letter on 28 March 2016 from T.C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, Aksaray Plant Investments domestic and imported machinery and equipment lists have been revised and approved and the total investment expenditure figure has been increased to TL755.998.847. There has been no change in the supportive factor of the new investment incentive document. The Company utilized reduced corporate tax amounting to TL 54.830.219 for the years ended between the years 2013-2016 and TL 12.122.308 for the period 1 January – 31 December 2017.

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

22. TAXATION ON INCOME (Cont’d)

Investment incentive certificate (cont’d)

According the expansion investment decision in İzmit Plant, the investment incentive certificate application of the Company to the Ministry of Economy, Incentive Application and General Directorate of Foreign Investments is approved and under the large-scale investments starting from 21 May 2015 to 21 May 2020, an investment incentive certificate is arranged at 20 August 2015 and numbered 120314 for the expansion investment amounting to TL 690.443.917. Investment incentive certificates provided by the contribution rate of 25%, the tax deduction rate is 50%. The incentive certificate has been increased to TL 866.641.410 on 5 May 2017.

The Company utilized reduced corporate tax amounting to TL 788.119 for the years ended between the years 2015 - 2016 and TL 1.709.425 for the period 1 January – 31 December 2017.

The Company estimates to utilize TL 755.176.139 reduced corporate tax in the future. In addition to this, since it is not predictable how long the benefit will be utilized, the Company recognized deferred tax asset amounting to TL 17.258.023 for the foreseeable 3 years.

23. EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	31 December 2017	31 December 2016
Total number of ordinary shares	30.511.687.500	30.511.687.500
Net profit	95.203.492	80.112.628
Probit attributable to redeemed to shares	4.865.346	3.997.256
Earnings shares with nominal value of 1 TL	0,296	0,250
Diluted earnings shares with nominal value of 1 TL	0,296	0,250

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2017 mostly consist of sales transactions and have average maturity of 18 days (2016: 11).

Due to related parties as of 31 December 2017 mostly consist of purchase transactions and have average maturity of 154 days (2016: 82).

	31 December 2017			
Balances with related parties	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H. Ö. Sabancı Holding A.Ş.	-	-	15.031	-
Bridgestone Corporation	619.050	15.042	29.765.928	938.638
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	138.731.558	-
Bridgestone (Shenyang) Steel Cord	-	-	5.156.910	-
Bridgestone Hıspania S.A.	-	5.719.542	-	-
Kordsa Teknik Tekstil A.Ş.	-	-	26.173.941	-
Enerjisa Enerji Üretim A.Ş.	-	-	3.709.328	-
Bridgestone Europe S.A/N.V.	14.038.952	997.189	16.466.338	-
Temsa Ulaşım Araçları San. ve Tic. A.Ş.	4.030.903	-	-	-
Akbank T. A.Ş.	1.909.655	-	-	-
Bimsa Uluslararası Bilgi Yönt.Sistem. A.Ş.	-	-	3.833.211	-
Other	916.005	-	6.157.531	12.944
	21.514.565	**6.731.773**	**230.009.776**	**951.582**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Balances with related parties	31 December 2016			
	Receivables		Payables	
	Short-term		Short/Long-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H. Ö. Sabancı Holding A.Ş.	-	-	10.829	-
Bridgestone Corporation	1.684.855	21.150	26.249.897	687.623
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	69.640.848	-
Bridgestone (Shenyang) Steel Cord	-	-	6.182.167	-
Kordsa Teknik Tekstil A.Ş.	-	-	20.249.138	-
Enerjisa Enerji Üretim A.Ş.	-	-	4.199.239	-
Bridgestone Europe S.A/N.V.	11.079.662	70.076	5.955.202	-
Temsa Ulaşım Araçları San. ve Tic. A.Ş.	2.126.111	-	99.050	-
Akbank T. A.Ş.	5.053.518	-	-	-
Other	984.685	873	8.439.845	12.934
	20.928.831	**92.099**	**141.026.215**	**700.557**

Sales of finished goods and commercial goods	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	3.480.503	4.897.690
Other related parties		
Bridgestone Europe SA./N.V.	170.703.079	104.898.339
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	9.132.758	6.229.900
Akbank T.A.Ş.	1.953.634	-
Other	3.341.430	1.722.228
	188.611.404	**117.748.157**

Other sales	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	13.512	641.960
Other related parties		
Bridgestone Hıspanıa S.A.	5.852.096	-
Other	295.731	211.726
	6.161.339	**853.686**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

Purchases of Raw Materials, Semi Finished Goods and Consumables	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	2.674.841	1.973.886
Other related parties		
Bridgestone Singapore Pte. Ltd.	300.302.671	157.819.014
Kordsa Teknik Tekstil A.Ş.	76.131.425	57.960.172
Bridgestone (Shenyang) Steel Cord Co.	15.644.385	16.977.822
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	-	3.683.007
Firestone Polymers, LLC.	8.881.867	5.097.268
Bridgestone Carbon Black Co. Ltd.	4.125.682	2.138.013
Other	2.902.078	1.493.238
	410.662.949	**247.142.420**

Purchases of finished goods and commercial goods	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	54.096.277	86.122.707
Other related parties		
Bridgestone Europe SA./N.V.	145.731.480	99.630.907
Enerjisa Enerji Üretim A.Ş.	45.467.565	47.232.046
Other	1.528.128	4.032.237
	246.823.450	**237.017.897**

Purchases of services	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
H. Ö. Sabancı Holding A.Ş.	138.686	114.390
Other related parties		
Aksigorta A.Ş.	10.453.492	9.252.408
Vista Turizm ve Seyahat A.Ş.	4.663.496	6.364.529
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	14.449.508	10.050.737
Lasder Lastik San. Derneği İktisadi İşletmesi	8.864.364	7.598.434
Other	1.800.414	1.384.055
	40.369.960	**34.764.553**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

Rent expense	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
H. Ö. Sabancı Holding A.Ş.	-	321.421
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	638.280	503.832
Teknosa İç ve Dış Ticaret A.Ş.	41.923	37.700
	680.203	**862.953**

Purchase of fixed assets	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	55.597.757	97.590.766
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	4.971.312	10.022.206
Bridgestone Plant Eng.	582.668	3.964.150
Bridgestone Logistics Co.	886.315	2.483.293
Other	828.600	2.665.769
	62.866.652	**116.726.184**

Commission expense (Sales premium and Royalty)	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	37.766.540	31.068.768
	37.766.540	**31.068.768**

Commision income (Sales premium)	1 January- 31 December 2017	1 January- 31 December 2016
Shareholders		
Bridgestone Corporation	-	70.476
	-	**70.476**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

	1 January- 31 December 2017	1 January- 31 December 2016
Finance income		
Akbank T.A.Ş.	44.286	60.569
	44.286	**60.569**
Finance expense		
Akbank T.A.Ş.	12.753	61.479
	12.753	**61.479**
Demand deposits		
Akbank T.A.Ş.	6.734.737	7.193.081
	6.734.737	**7.193.081**
Time deposits		
Akbank T.A.Ş.	3.523.826	-
	3.523.826	**-**
Credit card slip receivables		
Akbank T.A.Ş.	23.922.321	44.601.900
	23.922.321	**44.601.900**
Advances given		
Bridgestone Corporation	136.915	-
Bridgestone Logistics Co.	218.937	-
Bridgestone Plant Eng.	51.593	-
	407.445	**-**
Advances received		
Bridgestone Europe SA./N.V.	167.926	384.380
	167.926	**384.380**
Derivatives		
Akbank Malta	112.970.867	79.351.520
	112.970.867	**79.351.520**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Key management personnel include members of the board of directors, executive board members. The compensation of key management are as follows; Salary, pensions, insurances, termination indemnity, rent and relocation expenses, vehicle rents, fue and cell phones, provisions etc. The remuneration of key managements for the year ended 31 December 2017 and 2016 are as follows:

Key management compensation:	1 January- 31 December 2017	1 January- 31 December 2016
Salaries and other short-term benefits	6.113.886	4.210.371
Employment termination benefits	114.219	129.719
Other long-term benefits	127.234	104.980
	6.355.339	**4.445.070**

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Chief Financial Officer of Brisa under policies approved by the board of directors. Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Company will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Company performs its liquidity risk management by considering expected non-discounted cash flows.

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (Cont'd)

As of 31 December 2017 and 2016, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2017

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Financial liabilities(*)	2.029.994.661	2.043.247.007	208.270.100	201.661.273	1.553.096.615	80.219.019
Trade payables	587.521.019	592.629.132	592.617.611	-	11.521	-
Other payables	123.490.735	123.490.735	69.767.904	4.896.859	48.825.972	-
Total liabilities	**2.741.006.415**	**2.759.366.874**	**870.655.615**	**206.558.132**	**1.601.934.108**	**80.219.019**

Derivative financial liabilities	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative cash inflows	(115.529)	(272.113.200)	(264.192.420)	(7.920.780)	-	-
Derivative cash outflows	3.503.587	277.234.480	268.883.060	8.351.420	-	-
	3.388.058	**5.121.280**	**4.690.640**	**430.640**	**-**	**-**

31 December 2016

Contractual maturities	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Financial liabilities(*)	1.783.265.603	2.325.472.456	521.074.571	326.311.453	1.276.521.857	201.564.575
Trade payables	359.778.163	361.044.578	361.016.122	-	28.456	-
Other payables	115.260.003	115.260.003	50.899.816	4.196.095	60.164.092	-
Total liabilities	**2.258.303.769**	**2.801.777.037**	**932.990.509**	**330.507.548**	**1.336.714.405**	**201.564.575**

Derivative financial liabilities	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative cash inflows	(3.077.383)	(395.485.300)	(395.485.300)	-	-	-
Derivative cash outflows	1.295.700	394.405.000	394.405.000	-	-	-
	(1.781.683)	**(1.080.300)**	**(1.080.300)**	**-**	**-**	**-**

(*) Cash outflows from bank loans are shown in cash flows that are fixed by cross currency and interest swap agreements**.**

(b) Market Risk

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To keep these exposures at a minimum level, the Company tries to borrow at the most suitable rates.

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market Risk (cont’d)

Interest rate risk table of the Company as of 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Financial liabilities	2.029.994.661	1.972.017.822
Financial instruments with floating interest rate		
Financial liabilities	-	81.351.781

At 31 December 2017, if interest rates on TL denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been TL 382.384 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to conversion at foreign currency denominated assets and liabilities in to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions. In addition, the company aims to reduce foreign exchange risk arising from assets and liabilities by using currency forward instruments.

The Company has documented officially its currency risk policy practices and derivative transactions under its “Currency Risk Hedge Policy”, and performs this practice according to the rules and limits stated in the document and approved by senior management.

Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward contracts.and cross currency and interest rote swap contracts Such contracts while providing effective economic hedges for the associated risks also qualify for hedge accounting under the requirements of TAS 39 “Financial Instruments: Recognition and Measurement” thus they are accounted for as hedging derivatives financial instruments in the financial statements.

The Company presents the gains and losses relating to the hedging transactions under equity as “hedge reserves”.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Foreign Currency Position

The Company’s assets and liabilities denominated in foreign currencies at 31 December 2017 and 2016 are as follows:

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

	31 December 2017				
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	6.750.776	985.308	611.816	49.839	53.141
Trade receivables	58.783.658	3.295.776	9.255.260	-	897.623
Trade receivables from related parties	16.535.188	54.992	3.615.937	-	-
Other receivables from related parties	6.740.936	3.988	221.072	171.378.565	-
Prepaid expenses	1.925.956	34.121	288.822	14.753.582	-
Current Assets	**90.736.514**	**4.374.185**	**13.992.907**	**186.181.986**	**950.764**
Trade receivables	6.810	845	-	-	713
Prepaid expenses	1.469.909	389.700	-	-	-
Non-Current Assets	**1.476.719**	**390.545**	**-**	**-**	**713**
Total Assets	**92.213.233**	**4.764.730**	**13.992.907**	**186.181.986**	**951.477**
Trade payables	114.427.942	8.676.335	16.840.393	154.294.653	98.852
Trade payables to related parties	167.304.090	36.237.054	4.989.456	242.112.978	-
Other payables to third parties	6.233.119	670.858	820.000	-	-
Other payables to related parties	938.800	43	-	28.085.277	-
Deferred income	6.854.775	746.334	848.826	-	40.707
Short-term portion of long-term bank borrowings	422.882.450	112.113.908	-	-	-
Current Liabilities	**718.641.176**	**158.444.532**	**23.498.675**	**424.492.908**	**139.559**
Long-term bank borrowings	1.397.970.269	370.627.607	-	-	-
Non-Current Liabilities	**1.397.970.269**	**370.627.607**	**-**	**-**	**-**
Total Liabilities	**2.116.611.445**	**529.072.139**	**23.498.675**	**424.492.908**	**139.559**
Net Foreign Currency Position	**(2.024.398.212)**	**(524.307.409)**	**(9.505.768)**	**(238.310.922)**	**811.918**
Total foreign currency amount of off-balance sheet derivative financial assets	1.982.246.920	520.741.515	4.000.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments (*)	1.982.246.920	520.741.515	4.000.000	-	-
Net foreign currency asset/ (liability) position	**(42.151.292)**	**(3.565.894)**	**(5.505.768)**	**(238.310.922)**	**811.918**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	(3.188.871)	-	-	-	-
Hedged Amount of Foreign Currency Assets	-	-	-	-	-
Hedged Amount of Foreign Currency Liabilities	(1.820.852.720)	(482.741.515)	-	-	-
Export (**)	654.493.131	47.099.827	112.444.211	-	4.880.363
Import (**)	1.140.825.095	143.578.312	121.034.645	3.744.099.234	2.197

(*) As of December 31, 2017, the Company also has USD buying / TL selling option contract amounting to USD 21.000.000 and USD selling / TL buying options contracts amounting to USD 8.250.000 for the imports that will be realized in 2018 to hedge the foreign exchange risk .

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market Risk (cont’d)

	31 December 2016				
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	7.972.479	682.966	1.491.639	937.363	1.623
Trade receivables	71.545.443	6.633.780	11.802.031	200.000	1.020.974
Trade receivables from related parties	12.764.516	166.857	3.282.383	-	-
Other receivables from related parties	92.099	4.800	20.272	-	-
Prepaid expenses	1.714.218	204.043	261.383	-	6.123
Current Assets	**94.088.755**	**7.692.446**	**16.857.708**	**1.137.363**	**1 .028.720**
Trade receivables	23.649	5.845	-	-	713
Prepaid expenses	22.969.502	4.798	6.186.856	-	-
Non-Current Assets	**22.993.151**	**10.643**	**6.186.856**	**-**	**713**
Total Assets	**117.081.906**	**7.703.089**	**23.044.564**	**1.137.363**	**1 .029.433**
Trade payables	75.881.055	7.642.009	12.818.220	39.523.788	57.024
Trade payables to related parties	75.726.425	18.267.594	75.387	371.671.285	-
Other payables to related parties	687.775	43	-	22.901.694	-
Deferred income	8.120.783	666.473	1.556.735	-	-
Short-term portion of long-term bank borrowings	467.444.689	123.300.932	9.036.375	-	-
Current Liabilities	**627.860.727**	**149.877.051**	**23.486.717**	**434.096.767**	**57.024**
Long-term bank borrowings	1.073.356.000	305.000.000	-	-	-
Non-Current Liabilities	**1.073.356.000**	**305.000.000**	**-**	**-**	**-**
Total Liabilities	**1.701.216.727**	**454.877.051**	**23.486.717**	**434.096.767**	**57.024**
Net Foreign Currency Position	**(1.584.134.821)**	**(447.173.962)**	**(442.153)**	**(432.959.404)**	**972.409**
Total foreign currency amount of off-balance sheet derivative financial assets	1.585.546.038	443.162.292	7.000.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments	1.585.546.038	443.162.292	7.000.000	-	-
Net foreign currency asset/ (liability) position	**1.411.217**	**(4.011.670)**	**6.557.847**	**(432.959.404)**	**972.409**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	1.781.683	-	-	-	-
Hedged Amount of Foreign Currency Assets	-	-	-	-	-
Hedged Amount of Foreign Currency Liabilities	(1.190.060.738)	(338.162.292)	-	-	-
Export (**)	494.013.550	44.326.777	102.716.547	-	4.202.032
Import (**)	1.804.601.718	220.767.639	201.878.253	10.400.771.177	480.484

(**) Rediscount of sales and purchases were not taken into consideration for the exports and imports balances demoninated in foreign currency for the year ended 31 December 2017 and 2016. Exchange rates at the date of exports have been taken into consideration during computation of the export amounts in TL equivalent. Monthly average exchange rate was used in calculating the TL equivalent of imports.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

The Company is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD, Euro, GBP and JPY.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro, GBP and JPY. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign transactions. Positive value represents an increase in profit/loss and other equity items.

Foreign currency sensitivity analyze table

	31 December 2017	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(183.430.291)	183.430.291
2- Hedged USD (-)	182.085.272	(182.085.272)
3- USD net effect (1 +2)	(1.345.019)	1.345.019
Change in Euro against TL by 10%		
4- Euro net asset / liability	(2.486.130)	2.486.130
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(2.486.130)	2.486.130
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	(383.980)	383.980
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	(383.980)	383.980
TOTAL (3 + 6 +9)	**(4.215.129)**	**4.215.129**

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

Foreign currency sensitivity analyze table

	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(120.417.861)	120.417.861
2- Hedged USD (-)	119.006.074	(119.006.074)
3- USD net effect (1 +2)	(1.411.787)	1.411.787
Change in Euro against TL by 10%		
4- Euro net asset / liability	2.432.896	(2.432.896)
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	2.432.896	(2.432.896)
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	(879.987)	879.987
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	(879.987)	879.987
TOTAL (3 + 6 +9)	**141.122**	**(141.122)**

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

Forward contracts

Outstanding forward contracts	Parity 2017 TL	Parity 2016 TL	Foreign currency 2017 Euro / US Dollar	Foreign currency 2016 Euro / US Dollar	Contract value 2017 TL	Contract value 2016 TL	Fair value 2017 TL	Fair value 2016 TL
TL Selling /USD Buying								
Less than 3 months	3,8552	3,4791	56.900.000	105.000.000	219.363.310	367.812.000	(3.451.666)	2.405.383
Between 3 - 6 months	3,9768	-	2.100.000	-	8.351.280	-	(74.538)	-
TL Selling /Euro Buying								
Less than 3 months	4,6006	3,7990	4.000.000	7.000.000	18.402.400	26.593.000	(340.400)	(623.700)
							(3.866.604)	**1.781.683**

Outstanding forward contracts	Parity 2017 TL	Parity 2016 TL	Foreign currency 2017 USD	Foreign currency 2016 USD	Contract value 2017 TL	Contract value 2016 TL	Fair value 2017 TL	Fair value 2016 TL
Option								
USD Selling								
Less than 3 months	3,8200	-	8.250.000	-	31.515.000	-	478.546	-
							478.546	**-**

The detail information on foreign currency denominated borrowings and cross currency swap transactions is given in disclosures of derivative financial insturements (Note-5).

(c) Funding Risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Company are from financially strong various financial institutions.

(d) Credit Risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables. Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The Company management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

The Company uses internal credit control procedure, credit rating system and internal control policy for the credit risk management of receivables from customers. According to these procedures, the Company approves, increases or decreases individual customer credit limits for high balanced customers (excluding related parties). The credit limits are set by taking into account the financial position, past payment performance, the position of trade relations, growth potential and management style of the customers. These limits are annually revised and letter of guarantees, mortgages and other guarantees are received for the high risk customers.

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit Risk (cont'd)

As of 31 December 2017, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2017	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	21.514.565	810.700.020	6.731.773	5.328.821	194.510.240	185.191.072	-
- Collateralized or secured with guarantees part of maximum credit risk	-	753.606.587	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	17.416.610	731.969.347	6.731.773	5.328.821	194.510.240	185.191.072	-
B. Net book value of past due but not impaired financial assets	4.097.955	78.730.673	-	-	-	-	-
- Collateralized or guaranteed part	-	39.091.027	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	103.388.548	-	-	-	-	-
- Impairment (-)	-	(103.388.548)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(d) Credit Risk (cont’d)

As of 31 December 2016, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2016	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	20.928.831	762.705.108	92.099	6.531.521	85.729.658	103.102.948	-
- Collateralized or secured with guarantees part of maximum credit risk	-	530.539.433	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	37.301.753	583.969.597	92.099	6.531.521	85.729.658	103.102.948	-
B. Net book value of past due but not impaired financial assets	4.622.391	199.983.335	-	-	-	-	-
- Collateralized or guaranteed part		57.914.773	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	38.242.577	-	-	-	-	-
- Impairment (-)	-	(38.242.577)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part							
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(d) Credit Risk (cont’d)

The Company assumes that its receivables from the related parties including the ones which are overdue bear no risk of collection since it takes into account that such receivables are to be collected from the companies and that all of such receivables had been collected in the previous periods.

The Company did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Company’s overdue but not impaired trade receivables including due from related parties which takes into account the overdue terms is as follows:

	31 December 2017	31 December 2016
Between 0 - 1 months	27.168.088	49.303.098
Between 1 - 3 months	33.002.394	53.436.120
Between 3 - 12 months	22.658.146	101.866.508
	82.828.628	**204.605.726**

(e) 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 and 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.

Consistent with others in the industry, the Company monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents.

As of 31 December 2017 and 2016 Net debt/(equity+net debt) rates are as follows:

	31 December 2017	31 December 2016
Capital risk management		
Total liabilities	2.769.334.255	2.266.082.085
Cash and cash equivalents	194.516.054	174.696.774
Net debt	2.574.818.201	2.091.385.311
Equity	683.480.020	570.186.060
Equity+Net debt	**3.258.298.221**	**2.661.571.371**
Net debt / (Equity+Net debt)	0,79	0,79

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

26. FINANCIAL INSTRUMENTS

Fair value of financial instruments

31 December 2017	Loans and receivables (including cash and cash equivalents)	Liabilities at amortized costs	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	194.516.054	-	-	194.516.054	3
Trade receivables	810.700.020	-	-	810.700.020	6
Receivables from related parties	28.246.338	-	-	28.246.338	6
Other receivables	5.328.821	-	-	5.328.821	7
Derivative financial assets	-	-	185.191.072	185.191.072	5
	1.038.791.233	**-**	**185.191.072**	**1.223.982.305**	
Financial liabilities					
Financial liabilities	-	2.122.328.661	-	2.122.328.661	4
Trade payables	-	357.499.722	-	357.499.722	6
Payables to related parties	-	230.961.358	-	230.961.358	6
Derivative financial liabilities	-	-	28.327.840	28.327.840	5
	-	**2.710.789.741**	**28.327.840**	**2.739.117.581**	

31 December 2016	Loans and receivables (including cash and cash equivalents)	Liabilities at amortized costs	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	85.736.102	-	-	85.736.102	3
Trade receivables	830.670.467	-	-	830.670.467	6
Receivables from related parties	42.016.243	-	-	42.016.243	6
Other receivables	6.531.521	-	-	6.531.521	7
Derivative financial assets	-	-	103.102.948	103.102.948	5
	964.954.333	**-**	**103.102.948**	**1.068.057.281**	
Financial liabilities					
Financial liabilities	-	2.053.369.603	-	2.053.369.603	4
Trade payables	-	218.723.492	-	218.723.492	6
Payables to related parties	-	141.726.772	-	141.726.772	6
Derivative financial liabilities	-	-	7.135.889	7.135.889	5
	-	**2.413.819.867**	**7.135.889**	**2.420.955.756**	

26. FINANCIAL INSTRUMENTS (Cont’d)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

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

Monetary assets

Foreign currency denominated balances are translated into Turkish Lira at the forex buying exchange rates at the end of the period. It is foreseen that these titles are close to the registered value.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

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

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 4)

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in Market

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

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

26. FINANCIAL INSTRUMENTS (Cont'd)

Derivative financial instruments

Financial Assets / Financial Liabilities	Fair Value				Fair value hierarchy	Valuation Technique	Significant unobservable inputs	Relationship of unobvservable inputs to fair value
	31 December 2017		**31 December 2016**					
	Assets	Liabilities	Assets	Liabilities				
Forward contracts	115.529	3.304.400	3.077.383	1.295.700	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Cross-currency swap	185.075.543	24.824.253	100.025.565	5.840.189	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Option	-	199.187	-	-	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-

27. EVENTS AFTER THE REPORTING PERIOD

The negotiation process of the 20th period Collective Labour Agreement between Türkiye Petrol, Kimya ve Lastik Sanayi İşçileri Sendikası, which is covering wages and social rights, has been continuing since 11 January 2018.

The Company's headquarter adress were moved to the address of Küçük Çamlıca Mahallesi Şehit İsmail Moray Sokak Temsa Sitesi No: 2/1 Üsküdar, İstanbul with the decision of Board of Directors No: 3 dated 10 January 2018.