BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

This report includes 5 pages of independent auditor's report and 81 pages of financial statements together wtih their explanatory notes

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder's 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 2018, the statements of profit or loss, other comprehensive income, statement of changes in equity and 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 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by 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 and first time application of TFRS 15

Refer to Note 2.4.2 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition and first time application of TFRS 15.

The key audit matter	How the matter was addressed in our audit
Revenue of the Company for the year ended 31 December 2018 mainly comprised of the sale of tires. The Company recognize revenue when the Company fulfill the performance obligation by transferring the committed product or service or the Company recognize revenue throughout the period. The recognition of revenue in the period when the product is sold is related to the sales contract of the product and depends on the proper evaluation of the control over the terms of the contract. Since sales contracts may be complex, it requires significant judgment to be made when determining the specific recognition basis for each case. The Company has started to apply TFRS 15 "Revenue from Customer Contracts" as of 1 January 2018. TFRS 15 determines timing and amount of revenue recognition. It requires significant management estimation and judgment, since the standard has a comprehensive framework for the terms of transfer of control over products and services based on the timing	We have performed the following audit procedures to be responsive to this area: - Assessing the design, implementation and operating effectiveness of the key internal controls over sales to collection with support of information risk management specialists. - Assessing of the compliance of the accounting policies applied by the Company with TFRS 15 by examining the contracts selected on a sample basis from the grouped sales contracts. - Inspecting, on a sampling basis, relevant underlying documentation for revenue recognition in order to assess whether the revenue recognition are properly accounted for in the appropriate financial period and in compliance with the accounting policies. - 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. Regarding the first application of TFRS 15: - Understand the new accounting policies of the Company, assess their compliance and documentation of the results. - Evaluating the compliance of the calculations made to determine the effect of the transition methods used. - Analyzing the existing contracts in terms of the proper revenue recognition in current period in accordance with the accounting policies and evaluating the adequacy explanations about the

of the performance of the seller's obligations. Therefore, the first application of revenue recognition in accordance with TFRS 15 has been a focus area for our audit and has been identified as one of the key audit matters.	transition. - Evaluation of the disclosures in the financial statements of the Company in accordance with the explanations to be made in accordance with TFRS 15.

Recoverability of trade receivables

Refer to Note 2.4.18 iv) and 2.5 to the financial statements for summary of significant accounting policies and significant accounting estimates for valuation of recoverability of trade receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2018, the Company's gross trade receivables amounts to TRY 918.047.354, against which a provision for doubtful debts of TRY 158.666.766 has been recorded. Bad debt provision is accounted based on management's estimate of the expected credit losses to be incurred by taking into account the aging of trade receivables, guarantees received, payment history and credit ratings 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 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 and performing reconciliations of account balances received in the confirmation letters and financial statements. - Investigation and discussion with the management about any dispute or litigation process related to collection of trade receivables. - Evaluation of the assumptions used in the model developed for the expected credit loss calculation. - Assessing the quality of guarantees and credit rating reports used in determination of recoverability of trade receivables, on a sample basis and evaluation of the value of guarantees according to cash convertibility. - Assessing of adequacy of disclosures made in the financial statements of the Company with the disclosures required in accordance with TFRS 9.

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 TFRS, 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 Group'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") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 19 February 2019.

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 between 1 January 2018 and 31 December 2018, 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 firm of KPMG International Cooperative

Hakan Ölekli, SMMM
Partner
19 February 2019
İstanbul, Türkiye

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

		Audited	
ASSETS	**Notes**	**Current Period 31 December 2018**	**Prior Period 31 December 2017**
Current Assets			
Cash and Cash Equivalents	3	284.147.243	194.516.054
Trade Receivables	6	720.156.163	755.296.442
Trade Receivables From Related Parties	24	22.626.750	21.514.565
Trade Receivables From Third Parties		697.529.413	733.781.877
Other Receivables	7	18.450.759	16.148.540
Other Receivables From Related Parties	24	1.122.453	6.731.773
Other Receivables From Third Parties		17.328.306	9.416.767
Derivative Financial Instruments	5	8.141.075	115.529
Inventories	8	571.623.768	393.225.371
Prepaid Expenses	9	26.183.166	20.609.068
Current Tax Assets	22	1.289.020	230.653
Other Current Assets	15	19.858.741	21.060.699
Total Current Assets		**1.649.849.935**	**1.401.202.356**
Non-Current Assets			
Trade Receivables	6	39.224.425	76.918.143
Other Receivables	7	152.524	135.285
Derivative Financial Instruments	5	1.015.154.266	185.075.543
Property, Plant and Equipment	10	1.753.497.711	1.692.960.221
Intangible Assets	11	66.017.302	61.023.341
Prepaid Expenses	9	33.656.241	28.407.601
Deferred Tax Assets	22	-	7.091.785
Total Non-Current Assets		**2.907.702.469**	**2.051.611.919**
TOTAL ASSETS		**4.557.552.404**	**3.452.814.275**

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 2018

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

		Audited	
LIABILITIES	**Notes**	**Current Period 31 December 2018**	**Prior Period 31 December 2017**
Current Liabilities			
Short-term Borrowings	4	70.183.555	43.347.269
Short-term Portion of Long Term Borrowings	4	260.001.723	364.297.526
Trade Payables	6	713.541.945	587.509.498
Trade Payables to Related Parties	24	278.256.054	230.009.776
Trade Payables to Third Parties		435.285.891	357.499.722
Payables Related to Employee Benefits	14	22.529.743	24.746.722
Other Payables	7	13.130.604	13.275.398
Other Payables to Related Parties	24	1.002.399	951.582
Other Payables to Third Parties		12.128.205	12.323.816
Derivative Financial Instruments	5	50.688.422	6.059.785
Deferred Income	9	5.952.724	9.030.751
Short-term Provisions		32.598.242	27.611.892
Short-term Provisions For Employee Benefits	14	18.179.204	20.273.264
Other Short-term Provisions	12	14.419.038	7.338.628
Total Current Liabilities		**1.168.626.958**	**1.075.878.841**
Non-Current Liabilities			
Long-term Borrowings	4	2.331.913.269	1.622.349.866
Trade Payables	6	52.648.185	11.521
Trade Payables to Related Parties	24	52.648.185	-
Trade Payables to Third Parties		-	11.521
Derivative Financial Instruments	5	-	22.268.055
Deferred Income	9	84.168	457.759
Long-term Provisions		58.629.146	48.368.213
Long-term Provisions For Employee Benefits	14	58.629.146	48.368.213
Deferred Tax Liabilities	22	24.707.425	-
Total Non-Current Liabilities		**2.467.982.193**	**1.693.455.414**
Total Liabilities		**3.636.609.151**	**2.769.334.255**
EQUITY			
Share Capital	16	305.116.875	305.116.875
Adjustment to Share Capital	16	54.985.701	54.985.701
Share Premium	16	4.903	4.903
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) /Gains	16	153.684.550	8.387.306
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial (Losses)/Gains	16	4.715.983	6.484.504
Restricted Reserves	16	121.876.991	117.202.932
Other Reserves	16	84.376	-
Retained Earnings	16	184.732.497	96.094.307
Net Income For The Period		95.741.377	95.203.492
Total Equity		**920.943.253**	**683.480.020**
TOTAL LIABILITIES AND EQUITY		**4.557.552.404**	**3.452.814.275**

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

AUDITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

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

		Audited	
	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
Sales	17	2.998.775.696	2.294.135.975
Cost of Sales (-)	17-18	(2.232.016.139)	(1.682.952.842)
GROSS PROFIT		**766.759.557**	**611.183.133**
General Administrative Expenses (-)	18	(99.810.172)	(97.959.768)
Marketing Expenses (-)	18	(270.037.240)	(229.225.455)
Research and Development Expenses (-)	18	(1.038.898)	(1.540.270)
Impairment Loss on Trade Receivables (-)	18	(52.853.548)	(65.145.971)
Other Operating Income	19	258.318.862	82.956.957
Other Operating Expenses (-)	19	(171.988.029)	(42.831.684)
OPERATING PROFIT		**429.350.532**	**257.436.942**
Income From Investing Activities	20	258.229	300.032
Expenses From Investing Activities (-)	20	(307.592)	(93.579)
PROFIT BEFORE FINANCIAL EXPENSES		**429.301.169**	**257.643.395**
Financial Expenses (-)	21	(335.234.261)	(160.336.466)
PROFIT BEFORE TAX		**94.066.908**	**97.306.929**
Taxation on Income		**1.674.469**	**(2.103.437)**
Current Tax Expense (-)	22	(685.180)	(1.820.468)
Deferred Tax Income / (Expense)	22	2.359.649	(282.969)
PROFIT FOR THE PERIOD		**95.741.377**	**95.203.492**
Earnings per share	23	**0,298**	**0,296**
Diluted earnings per share	23	**0,298**	**0,296**

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

AUDITED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

		Audited	
	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
PROFIT FOR THE PERIOD		**95.741.377**	**95.203.492**
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss		**(1.768.521)**	**10.030.663**
Actuarial (Losses)/Gains	14	(2.210.651)	12.538.329
Tax Effect of Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or (Loss)			
Deferred Tax Income / (Expense)	22	442.130	(2.507.666)
Items that are or may be reclassified to profit or loss		**145.297.244**	**8.059.805**
Hedging Reserve Gains/ (Losses)		180.431.660	10.074.756
Tax Effect of Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or (Loss)			
Deferred Tax Income / (Expense)	22	(35.134.416)	(2.014.951)
OTHER COMPREHENSIVE INCOME		**143.528.723**	**18.090.468**
TOTAL COMPREHENSIVE INCOME		**239.270.100**	**113.293.960**

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

AUDITED STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

(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)**	**Actuarial (Losses)/ Gains**	**Restricted Reserves**	**Other Reserves**	**Retained Earnings**	**Net Income For The Period**	**Shareholders' Equity**
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**
Balance at 1 January 2018 (Beginning 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**
Adjustments related with changes in accounting policies (Note 2.2)							-			
Net effect of TFRS 9 policy change	-	-	-	-	-	-	-	(1.891.243)	-	(1.891.243)
Balance at 1 January 2018 (Restated Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**8.387.306**	**6.484.504**	**117.202.932**	**-**	**94.203.064**	**95.203.492**	**681.588.777**
Transfers	-	-	-	-	-	4.674.059	-	90.529.433	(95.203.492)	-
Other	-	-	-	-	-	-	84.376	-	-	84.376
Total Comprehensive Income	-	-	-	145.297.244	(1.768.521)	-	-	-	95.741.377	239.270.100
Balances at 31 December 2018 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**153.684.550**	**4.715.983**	**121.876.991**	**84.376**	**184.732.497**	**95.741.377**	**920.943.253**

(*) The Company did not pay dividends in 2018 and 2017.

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 2018

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

		Audited	
	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
Net Profit For The Period		**95.741.377**	**95.203.492**
Adjustments to Reconcile Profit For The Period		**382.581.759**	**341.099.261**
Adjustments Related to Depreciation and Amortization Expenses	18	158.313.312	105.150.753
Provisions for Employee Benefits	14	12.019.206	20.336.545
Adjustments Related to Retirement Pay Provision	14	10.031.780	10.801.402
Lawsuit Provision	12	4.607.197	3.570.067
Adjustment Related to Other Provisions	12	3.891.919	553.640
Adjustments Related to Doubtful Receivables	6	56.487.865	68.232.863
Interest Income	21	(10.467.244)	(307.313)
Interest Expense	21	277.789.399	158.665.311
Unrealized Foreign Exchange Losses / (Gains)		(17.613.578)	(4.224.929)
(Gains) / Losses From Derivative Financial Instruments	5	(172.282.242)	(18.343.610)
Adjustments Related to Tax Expense / (Income)	22	(1.674.469)	2.103.437
Losses / (Gain) on Sale of Property, Plant and Equipment and Intangible Assets, Net	20	49.363	(206.453)
Impairment on inventories	8	1.511.174	2.934.422
Finance expense accruals from credit purchases (net)	6	9.353.117	5.108.113
Finance income accruals from credit sales (net)	6	(15.900.639)	(13.274.987)
Adjustments Related to Other Items that Cause Cash Flows from Investing or Financing Activities		66.465.599	-
Changes In Working Capital		**23.059.926**	**221.665.190**
Adjustments Related to Increase / Decreases in Trade Receivables		20.133.487	(108.339.421)
Adjustments Related to Increase / Decreases in Inventory		(158.332.615)	(26.444.348)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(1.002.658)	(14.469.847)
Adjustments Related to Increase / Decreases in Prepaid Expenses		(13.439.582)	153.505.020
Adjustments Related to Increase / Decreases in Trade Payables		194.667.169	228.984.113
Adjustments Related to Increase / Decreases in Deferred Income		(1.470.960)	(6.448.357)
Adjustments Related to Increase / Decreases in Employee Benefits Payables		(16.330.245)	(6.242.769)
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		(1.164.670)	1.120.799
Cash Flows From Operating Activities		**163.048.171**	**(10.912.022)**
Collection from doubtful receivables	6	2.530.405	3.774.300
Interest Received	21	10.467.244	307.313
Taxes Paid / Reimbursed		(1.743.547)	(2.693.548)
Paid / Reversed Provisions	12	(738.702)	(45.089)
Paid / Reversed Lawsuit Provisions	12	(680.004)	(377.724)
Retirement Benefits Paid	14	(1.981.498)	(3.308.219)
Cash Inflows / (Outflows) from Financial Derivatives		155.194.273	(8.569.055)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**664.431.233**	**647.055.921**
Proceeds From Sale of Property, Plant and Equipment		150.451	6.953.418
Proceeds From Sale of Intangible Assets		553.325	7.500
Acquisition of Property, Plant and Equipment and Intangible Assets	10-11	(228.973.652)	(642.848.868)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(228.269.876)**	**(635.887.950)**
Proceeds from Borrowings		627.550.000	1.787.558.700
Repayment of Borrowings		(626.116.805)	(1.600.622.800)
Interest Paid		(280.135.634)	(209.544.341)
Other Cash Inflows / (Outflows)		(66.381.223)	-
Cash Inflows / (Outflows) from Financial Derivatives		-	31.554.450
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(345.083.662)**	**8.946.009**
Net Increase / (Decrease) in Cash and Cash Equivalents before translation effect of foreign currency (A+B+C)		91.077.695	20.113.980
D. Translation Effect Of Foreign Currency on Cash and Cash Equivalents		(1.446.506)	(294.700)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C+D)		89.631.189	19.819.280
Cash and Cash Equivalents at the beginning of the period		194.516.054	174.696.774
Cash and Cash Equivalents at the end of the period		**284.147.243**	**194.516.054**

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 2.797 (2017: 2.726). This number includes 2.208 employees who are subject to Collective Bargaining Agreement terms (2017: 1.962), and 579 employees who are not subject to these terms (2017: 751). There are 10 foreign employees (2017: 13). In addition, there are 1 employee who is subject to definite-term employment contracts (2017: 52).

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, 2018, and 2017, the Company has a 10.24% shareholding in Borsa İstanbul. As at 31 December 2018 ad 2017, 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:

Küçük Çamlıca Mahallesi Şehit İsmail Moray Sokak

Temsa Sitesi No:2/1 Üsküdar, İstanbul

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TFRS

The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) 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. TFRS’s contain Turkish Accounting Standards (“TAS”), Turkey Financial Reporting Standards, TAS interpretations, and TFRS interpretations published by POA.

Financial statements are presented in accordance with the TAS Taxonomy which was published by POA and the formats specified in the Financial Statement Examples and User Guideline which was published by CMB.

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

2.1 Basis of Presentation (Cont’d)

Statement of compliance with TFRS (Cont’d)

Approval of financial statements:

The financial statements for the period 1 Janaury-31 December 2018 have been approved for issue by the Board of Directors on 19 February 2019 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.
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 Changes in Significant Accounting Policies

The accounting policy changes arising from the first time application of a new standard are applied retrospectively or prospectively in accordance with the transitional options, if any. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are applied in the current period that estimation change made. If changes in accounting estimates are related to future period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future.
The Company has initially applied TFRS 15 and TFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company’s financial statements.

First time application of TFRS 15 “Revenue from contracts with customers”

The Company has adopted TFRS 15 “Revenue from contracts with customers” that was replacing TAS 18 using the cumulative effect method starting from 1 January 2018. Transition of TFRS 15 was accounted with practical expedients. In accordance with this practical expedients, the Company has applied this standard only for the incomplete contracts as of 1 January 2018 and the Company has not recognized anty transition effect due to immaterial effect on financial statements.

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

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

2.2 Changes in Significant Accounting Policies (Cont’d)

The details of the new significant accounting policies and the changes in the Company's previous accounting policies related to sales are as follows.

Type of product	**Nature, timing of satisfaction of performance obligations, significant payment terms**	**Nature of change in accounting policy**
Tire sales	Sales of the Compay are mainly comprised of tires. Customers obtain control of tires when the goods are delivered to and have been accepted at their premises. The Company has a warranty commitment due to the products it sells. These statutory warranty commitments are those which are mandatory by the laws, have no price and cannot be sold independently, and are not considered as a separate product or service from product sales. The Company recognizes the turnover premiums to its customers due to its sales in the periods when the premiums are related. The invoices are arranged according to the contracts and are paid within an average of 90 days.	There has been no material change in the financial statements due to the application of TFRS 15 accounting policies.

First time application of TFRS 9 “Financial instruments”

The Company has applied TFRS 9 “Financial Instruments” as the first application date of 1 January 2018, replacing TAS 39. It includes requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model. The transition effect of the standard is accounted for by the simplified method. With this method, the Company calculated the cumulative effect of the first transition to TFRS 9 and recorded the cumulative effect calculated in retained earnings.

The following table summarizes the effects of the transition to TFRS 9 on the opening balances of previous years by showing the net amounts remaining after deducting taxes.

Effect of TFRS 9 on opening balances	
Retained earnings	
Expected credit losses in accordance with TFRS 9	(2.424.670)
Deferred tax effect	533.427
Effect as at 1 January 2018	**(1.891.243)**

Trade and other receivables classified as loans and receivables according to TAS 39 are now classified as those measured at amortized cost. An impairment loss amounting to TL 2.424.670 for these receivables is recognized in retained earnings in the transition to TFRS 9 on 1 January 2018.

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

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

2.2 Changes in Significant Accounting Policies (Cont’d)

Impact of the new impairment model

For assets in the scope of the TFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of TFRS 9’s impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

Loss allowance at 31 December 2017 under TAS 39	103.388.548
Additional impairment recognised at 1 January 2018 on trade receivables:	2.424.670
Loss allowance at 1 January 2018 under TFRS 9	**105.813.218**

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Company’s financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under IAS 39	New carrying amount under TFRS 9
Current trade and other receivables	Loans and receivables	Amortised cost	771.444.982	769.020.312
Non-current trade and other receivables	Loans and receivables	Amortised cost	77.053.428	77.053.428
Cash and cash equivalents	Loans and receivables	Amortised cost	194.516.054	194.516.054
Cross currency and interest swap contracts used for hedging, long-term	Fair value – hedging instrument	Fair value – hedging instrument	185.075.543	185.075.543
Other foreign currency forward and option contracts, short term	Designated as at FVTPL	Mandatorily at FVTPL	115.529	115.529
Total financial assets			**1.228.205.536**	**1.225.780.866**

Financial liabilities	Original classification under TAS 39	New classification under TFRS 9	Original carrying amount under IAS 39	New carrying amount under TFRS 9
Current trade and other payables	Other financial liabilities	Other financial liabilities	600.796.417	600.796.417
Short-term and long-term borrowimgs	Other financial liabilities	Other financial liabilities	2.029.994.661	2.029.994.661
Cross currency and interest swap contracts used for hedging, long-term	Fair value – hedging instrument	Fair value – hedging instrument	22.268.055	22.268.055
Other foreign currency forward and option contracts, short term	Designated as at FVTPL	Mandatorily at FVTPL	3.304.400	3.304.400
Cross currency and interest swap contracts used for hedging, long-term	Fair value – hedging instrument	Fair value – hedging instrument	2.755.385	2.755.385
Total financial liabilities			**629.124.257**	**629.124.257**

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

2.2 Changes in Significant Accounting Policies (Cont’d)

The Group has used the exemption not to restate its comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of TFRS 9 but rather those of TAS 39.
Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss statement. As a result, the Company reclassified impairment losses amounting to 65.145.971 TL, recognised under TAS 39, from ‘general administrative expenses’ to ‘impairment loss on trade and other receivables’ in the statement of profit or loss for the year ended 31 December 2017.

2.3 Changes and Errors in the Accounting Estimates

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 2018. Identified accounting errors are corrected in financial statements retrospectively (Note 2.4.23).

2.4 Summary of Significant Accounting Policies

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2018

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of 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.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, TFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. TFRS 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 TFRS 15 Revenue from Contracts with Customers.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

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 as of 31 December 2018 (Cont'd)

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

TFRS Interpretation 23 – Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 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. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 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 TFRS Interpretation 23.

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 amortized 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 is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

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 as of 31 December 2018 (Cont’d)

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

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 IFRS 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.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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 as of 31 December 2018 (Cont’d)

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

The following standards, interpretations of 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.

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 is assessing the potential 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 recognized 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)

2.4.1 Standards and interpretations issued but not yet effective as of 31 December 2018 (Cont'd)

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 19.

Amendments to IAS 1 and IAS 8 - Definition of Materiality

In October 2018 the IASB issued Definition of Materiality (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.2 Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines ‘performance obligation’ as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct;

(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Company’s performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.2 Revenue (Cont'd)

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or

-The customer controls the asset as the entity creates or enhances it, or

- Company's performance does not create an asset for which the entity has an alternative use and there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer. The Company recognizes a provision in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets” when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

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, discounts, turnover premiums 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.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.3 Inventories

Inventories are valued at the lower of cost or net realizable 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.

2.4.4 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 recognised in profit or loss. They are, however, capitalized in exceptional cases if they result in an expansion or substantial improvement of the respective assets.

Major overhaul expenditure, including replacement spares and labor costs, is capitalized 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, licenses, capitalized development costs and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortization 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 recognized 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 amortized cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. The Company measures the expected credit loss provision from an amount equal to lifetime expected credit losses. In calculating the expected credit losses, the dealer rating model is taken into consideration which includes past credit loss experiences and the Company's future forecasts.
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 recognized initially at fair value and subsequently measured at amortized 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 recognized in the profit or loss statement except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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 recognized 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 employment 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 Labor 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 recognized 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 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 Financial Instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

ii. Classification and subsequent measurement (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
-the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
-how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

ii. Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

-contingent events that would change the amount or timing of cash flows;
-terms that may adjust the contractual coupon rate, including variable-rate features;
-prepayment and extension features; and
-terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.
Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see (v) for derivatives designated as hedging instruments.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

ii. Classification and subsequent measurement (continued)

Financial assets: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories

- loans and receivables;
- at FVTPL, and within this category as:
  -derivative hedging instruments; or
  -designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see (v) for derivatives designated as hedging instruments.

Loans and receivables :

Measured at amortised cost using the effective interest method.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See (v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financiall assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

iii. Derecognition (continued)

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised .

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

TFRS 9 also includes new hedge accounting rules that are intended to align hedge accounting with risk management practices. TFRS 9 provides the option of deferring the adoption of TFRS 9's hedge accounting in the selection of accounting policies and the option to continue the application of the requirements in TAS 39 “hedge accounting”. In this context, the Company will continue to apply the requirements of TAS 39 hedge accounting. The derivative financial instruments of the Company consist of foreign exchange forward transactions, commodity swap and cross currency swap transactions. 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”).

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 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.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

v. Derivative financial instruments and hedge accounting

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. There is not any cross currency contract that net off with borrowings as at 31 December 2018.

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).

vi. Impairment

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;
The Company measures loss allowances at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive)

The Company calculated the ECLs based on previous year's credit losses experience, current financial performance analysis of customers and future expectations. The company has computed ECLs rate separately for domestic customers and dealers. For export customers and other private customers, the Company evaluates separately and provides a provision if necessary. The Company has applied the doubtful receivable provision methodology by taking into consideration the net receivable after deducting existing colleterals, payment performance, the credit risk score of the creditors evaluated by independent credit rating firms.

The cash shortfalls is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

2.4.18 Financial Instruments (Cont’d)

vi. Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Financial assets measured at amortised cost

The Company evaluates the impairment indicators for these assets both at the asset level and collectively. All significant assets are assessed for impairment. Assets that do not have significant impairment as a separate asset are tested collectively for impairment losses that have been incurred but have not yet been determined.

The Company takes into account the past experience of recovery timing and loss amounts when assessing impairment collectively. In making this assessment, the Company management makes necessary adjustments by taking into consideration the current economic situation and credit conditions and the fact that the losses occurred should be more or less than the provision for impairment.

An impairment loss is the difference between the carrying amount of the asset and its estimated future cash flows discounted at the original effective interest rate to its present value. Losses are recognized in profit or loss and recognized using the reserve account. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. If an event occurring after the impairment was recognized causes a decrease in impairment, such decrease is recognized in profit or loss and reversed from the previously recognized impairment loss.

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

2.4 Summary of Significant Accounting Policies (Cont’d)

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).

2.4.20 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.

2.4.21 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.

2.4.22 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 cannot 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)

2.4.23 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.

Time deposits interest income amounting to TL 307.313 classified under other operating income for the year ending 31 December 2017 has been reclassified to finance expenses.

Foreign exchange loss related with foreign currency deposits amounting to TL 306.664 classified under other operating expense for the year ending 31 December 2017 has been reclassified to finance expenses.

Foreign exchange difference amounting to TL 687.410 classified under general administrative expenses for the year ending 31 December 2017 has been reclassified to other operating expense.

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 (excluding items stated for TFRS 9 and TFRS 15) used for the preparation of the financial statements as at 31 December 2018 are consistent with the significant accounting estimates and assumptions used for the preparation of the financial statements as at 31 December 2017.

2.4.24 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 equipment and various tube-lights, columns, and mixtures. 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 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 and according to expected credit loss model. The Company measures loss allowances at an amount equal to lifetime ECLs. The Company uses its past experience regarding with credit loss and credit rating model that include management’s future forecasts for the expected credit loss computation. (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 recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 12).

Deferred tax assets

As at 31 December 2018, 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. 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.

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)

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 2018	31 December 2017
Cash	-	5.814
Banks	284.147.243	194.510.240
Demand deposits	17.081.772	20.854.094
Time deposits	40.828.030	3.528.028
Credit card slip receivables	226.237.441	170.128.118
	284.147.243	**194.516.054**

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. Credit card slip receivables contain POS balances which have less than three months maturities.

As of 31 December 2018, and 31 December 2017, the Company’s time deposits are as follows:

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
USD	316.340	07 January 2019	4,50%	1.669.773
USD	6.100.000	21 January 2019	4,75%	32.154.134
TL	7.000.000	02 January 2019	21,50%	7.004.123
				40.828.030

Currency	Original Amount	Maturity	Interest rate	Amount (TL)
EUR	406.036	17 January 2018	1,75%	1.833.455
USD	449.262	17 January 2018	3,50%	1.694.573
				3.528.028

The Company holds deposits in EUR and USD which are equivalent to open balance sheet position denominated in EUR and USD in order to mitigate risks on short-term foreign currency balance sheet position. The Company makes TL selling/EUR buying and TL selling/USD buying forward contracts so as to mitigate these risks when cost advantage exists.

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

4. FINANCIAL LIABILITIES

Bank Borrowings

	31 December 2018		31 December 2017	
	Weighted average effective interest rate %	**TL**	**Weighted average effective interest rate %**	**TL**
Short-term bank borrowings				
TL denominated borrowings	23,60	70.183.555	13,10	43.347.269
		70.183.555		**43.347.269**
Short-term portion of long-term borrowings				
TL denominated borrowings	12,50	41.980.590	12,50	37.332.168
USD denominated borrowings (*)	3,72	218.021.133	2,07	419.299.358
		260.001.723		**456.631.526**
Total short-term borrowings		**330.185.278**		**499.978.795**
Long-term bank borrowings				
TL denominated borrowings	12,78	228.196.079	12,82	238.639.928
USD denominated borrowings (*)	3,95	2.103.717.190	2,89	1.383.709.938
Total long-term borrowings		**2.331.913.269**		**1.622.349.866**
Total borrowings		**2.662.098.547**		**2.122.328.661**
Short-term portion of long-term bank borrowings		-		(92.334.000)
Cumulative foreign currency differences from cross-currency and interest rate swap (*)		**-**		**(92.334.000)**
Net financial borrowings		**2.662.098.547**		**2.029.994.661**

(*) The Company made cross currency and interest rate swaps to mitigate floating interest rate and foreign currency exchange risks for the long-term foreign currency denominated borrowings when they were received. TL values of the Company’s foreign currency denominated borrowings may increase or decrease as a result of exchange rates fluctuations, in return fair value of cross currency swaps are shown under derivative assets. As of 31 December 2018, foreign exchange loss amounting to TL 776.642.688, derivative asset amounting to TL 1.015.154.266 (Note 5) which is a result of the valuation of cross currency and interest rate swap hedging transactions, equity hedging reserve amounting to TL 190.809.263, and deferred tax liability amounting to TL 47.702.315 were recognized in the financial statements.

As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 92.334.000 in 2017, respectively are offset and disclosed under financial liabilities since foreign currency of these loans were fixed with the cross-currency swap contracts obtained by the same financial institution. There is no such transaction in 2018.

There are loan commission and expenses amounting to TL 3.922.288 and TL 12.499.815 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 respectively TL 3.583.092 and TL 14.260.331).

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

4. FINANCIAL LIABILITIES (Cont'd)

Bank Borrowings (Cont'd)

As of 31 December 2018, and 2017, all of the bank borrowings consist of unsecured bank loans.

	31 December 2018	31 December 2017
Opening balance	2.029.994.661	1.783.265.603
Proceeds from Borrowings	627.550.000	1.787.558.700
Repayment of Borrowings	(626.116.805)	(1.600.622.800)
Interest expense accounted under profit or loss	277.789.399	158.665.311
Capitalized interest expense at tangible assets	8.466.079	67.802.975
Interest paid	(280.135.634)	(209.544.341)
Foreign currency exchange differences (*)	645.052.938	55.907.500
Other	(20.502.091)	(13.038.287)
Closing balance	**2.662.098.547**	**2.029.994.661**

Repayment schedules of borrowings are summarized below:

	31 December 2018			31 December 2017		
Year	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)
2018	-	-		499.978.795	(92.334.000)	407.644.795
2019	330.185.278	-	330.185.278	272.550.455	-	272.550.455
2020	794.337.589	-	794.337.589	534.499.764	-	534.499.764
2021	542.937.327	-	542.937.327	329.115.931	-	329.115.931
2022	479.157.465	-	479.157.465	256.617.995	-	256.617.995
2023	374.088.800	-	374.088.800	175.779.158	-	175.779.158
2024	122.495.941	-	122.495.941	51.472.803	-	51.472.803
2025	18.896.147	-	18.896.147	2.313.760	-	2.313.760
	2.662.098.547	**-**	**2.662.098.547**	**2.122.328.661**	**(92.334.000)**	**2.029.994.661**

Company's significant bank borrowings are summarized as follows:

a) Borrowing amounting to USD 21,9 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 57.968.750, once in a six-month interest installment over 11,25% rate and the USD exchange rate to TL 2,6500.

b) 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)

Banka kredileri (devamı)

c) 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.

d) Borrowing amounting to TL 44,4 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 installment. Annual interest rate of the borrowing is 12,50%.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

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

4. FINANCIAL LIABILITIES (Cont'd)

Banka kredileri (devamı)

l) 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.

m) Borrowing amounting to USD 30 million has been used on 26 April 2018, 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 122,550,000, once in a three-month interest installment over 14,11% rate and the USD exchange rate to TL 4,0850.

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018		31 December 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Cross-currency and interest rate swaps	-	-	-	2.556.198
Foreign exchange forward contracts	1.850.387	47.159.341	115.529	3.304.400
Futures and options market	6.290.688	-	-	-
Commodity swaps	-	3.529.081	-	-
Option	-	-	-	199.187
Short-term	**8.141.075**	**50.688.422**	**115.529**	**6.059.785**
Cross-currency and interest rate swaps	1.015.154.266	-	185.075.543	22.268.055
Long-term	**1.015.154.266**	**-**	**185.075.543**	**22.268.055**
	1.023.295.341	**50.688.422**	**185.191.072**	**28.327.840**

In order to mitigate the foreign currency risks arising from US Dollar denominated raw material purchases 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 forward contracts. The Company's derivative financial instruments also contain cross-currency and interest rate swap contracts. Transactions in the first group are carried out within the framework of cash flow hedge accounting, unrealized valuation differences are recognized in hedging reserve gains / (losses) under equity accounts, the valuation differences of cross currency and interest rate swap transactions are recognized under equity accounts while the valuation differences resulting from balance sheet currency hedging transactions are recognized in profit or loss accounts.

As of 31 December 2018, the Company's various forward contracts' due on January 2019 with a total TL 210.849.250 selling and US Dollar 39.000.000 buying, TL 102.172.500 selling, and Euro 16.500.000 buying purposes and has an average USD foreign exchange rate of TL 5,4064 and Euro foreign exchange rate of TL 6,1923 causing a liability of TL 1.242.250 (31 December 2017: of TL 3.304.400 liability).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont’d)

As of 31 December 2018, the Company’s various forward contracts’ have various maturities with a total TL 299.485.500 selling and US Dollar 49.500.000 buying purpose has an average USD foreign exchange rate of TL 6,0502 causing a liability of TL 44.066.704 (31 December 2017: of TL 83.658 liability).

The Company fixed the prices of carbon black raw material from domestic and foreign markets on December 10, 2018, with commodity hedge transactions of EUR 984 / MT monthly price 400 metric ton carbon black and EUR 1.630 / MT monthly price 250 metric ton carbon black which have maturities between March – December 2019. As of 31 December 2018, the Company has a liability of TL 3.529.081 due to these contracts.

In order to mitigate the floating USLibor+1,00 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 21.875.000 used on 29 May 2015 which has an interest installment 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 57.968.750 and the interest rate to 11,25 % with a once in a 6-month interest installment while the USD foreign exchange rate is fixed to TL 2,65. As of 31 December 2018, Company has a total asset of TL 65.628.779 arising from this swap transaction (31 December 2017: TL 30.494.849 assets).

In order to mitigate the floating USLibor+0,8615 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 25 million used on 4 February 2016 which has an interest installment 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 exchange rate is fixed to TL 2,9570. As of 31 December 2018, Company has a total asset of TL 65.981.970 arising from this swap transaction (31 December 2017: TL 20.187.806 assets).

In order to mitigate the floating USLibor+0,8692 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 25 million used on 4 March 2016 which has an interest installment 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 exchange rate is fixed to TL 2,9570. As of 31 December 2018, Company has a total asset of TL 66.629.071 arising from this swap transaction (31 December 2017: TL 20.719.143 assets)

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 80 million used on 26 August 2016 which has an interest installment 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 exchange rate is fixed to TL 2,9700. As of 31 December 2018, Company has a total asset of TL 233.100.070 arising from this swap transaction (31 December 2017: TL 80.438.515 assets).

In order to mitigate the floating USLibor+1,90 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 90 million used on 12 December 2016 which has an interest installment 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 exchange rate is fixed to TL 3,8615. As of 31 December 2018, Company has a total asset of TL 167.995.815 arising from this swap transaction (31 December 2017: TL 16.308.062 liability).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont’d)

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 40 million used on 29 March 2017 which has an interest installment 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 exchange rate is fixed to TL 3,6240. As of 31 December 2018, Company has a total asset of TL 91.705.958 arising from this swap transaction (31 December 2017: TL 7.997.495 assets).

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first three years) amounting to USD 40 million used on 12 June 2017 which has an interest installment 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 exchange rate is fixed to TL 3,5140. As of 31 December 2018, Company has a total asset of TL 96.559.656 arising from this swap transaction (31 December 2017: TL 16.005.693 assets).

In order to mitigate the floating USLibor+1,15 interest rate and foreign currency risk of the 3 year-term borrowing (no principal payment in the first three years) amounting to USD 60 million used on 18 October 2017 which has an interest installment 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 exchange rate is fixed to TL 3,6400. As of 31 December 2018, Company has a total asset of TL 120.828.290 arising from this swap transaction (31 December 2017: TL 9.232.041 assets).

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first two years) amounting to USD 30 million used on 15 December 2017 which has an interest installment 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 exchange rate is fixed to TL 3,8445. As of 31 December 2017, Company has a total asset of TL 58.031.542 arising from this swap transaction (31 December 2017: TL 5.959.993 liability).

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term borrowing (no principal payment in the first two years) amounting to USD 30 million used on 26 April 2018 which has an interest installment 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 122.550.000 and the interest rate to 14,11 % with a once in a 3-month interest installment while the USD foreign exchange rate is fixed to TL 4,0850. As of 31 December 2018, Company has a total asset of TL 48.693.115 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 in 2017 is offset and disclosed under financial liabilities due to foreign currency of these loans were fixed with the cross-currency swap contracts obtained by the same financial institution (Note 4). There is no such transaction in 2018.

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

During the current period, income amounting TL 172.282.242 has been recognized in profit or loss statement related with the realized derivative contracts (2017: TL 18.343.610 income).

(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 2018**	**31 December 2017**
Trade receivables	789.629.860	804.577.595
Notes receivables	39.154.175	17.881.065
Trade receivables from related parties (Note 24)	22.626.750	21.514.565
Unearned credit finance income	(15.900.639)	(13.274.987)
Doubtful receivables provision (-)	(115.353.983)	(75.401.796)
	720.156.163	**755.296.442**

Long-term trade receivables	**31 December 2018**	**31 December 2017**
Trade receivables	82.537.208	104.424.957
Notes receivables	-	479.938
Doubtful receivables provision (-)	(43.312.783)	(27.986.752)
	39.224.425	**76.918.143**

As of 31 December 2018, the maturities of trade receivables are 144 days (2017: 173 days) on average and they are discounted with average annual interest rates of 15,76% (2017: 12,47%).

As of 31 December 2018, the receivables from third parties amounting to TL 48.083.725 (2017: TL 78.730.673) were past due but not impaired.

As of 31 December 2018, collaterals amounting to TL 35.093.382 have been received for receivables from third parties (2017: TL 39.091.027).

The aging of these receivables from third parties as of 31 December 2018 and 2017 is as follows:

	31 December 2018	**31 December 2017**
Between 0 - 1 months	19.050.418	24.591.862
Between 1 - 3 months	13.774.524	31.902.499
Between 3 - 12 months	15.258.783	22.236.312
	48.083.725	**78.730.673**

As of 31 December 2018, trade receivables amounting to TL 158.666.766 (2017: TL 103.388.548) were overdue and impaired.

The allowance for doubtful receivables is determined based on past experiences of collection of receivables and risk rating matrix developed for the dealers in the expected credit loss computation.

(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 2018 and 2017 are as follows:

	1 January-31 December 2018	**1 January-31 December 2017**
Opening balance as of 1 January	103.388.548	38.242.577
Effect due to TFRS 9 policy change as of 1 January (Note 2.2)	2.424.670	-
Restated balance as of 1 January	105.813.218	38.242.577
Period charge (*)	55.383.953	68.920.271
Collections	(2.530.405)	(3.774.300)
Closing balance	**158.666.766**	**103.388.548**

(*) As of 31 December 2018, the foreign currency exchange difference gains amounting to TL 1.103.912 arise from the doubtful receivables in foreign currency (2017: TL 687.409 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 2018**	**31 December 2017**
Trade payables	444.639.008	362.607.835
Trade payables to related parties (Note 24)	278.256.054	230.009.776
Unrealized finance expense due to credit purchases	(9.353.117)	(5.108.113)
	713.541.945	**587.509.498**

Long-term trade payables	**31 December 2018**	**31 December 2017**
Trade payables to related parties (Note 24)	52.648.185	-
Trade payables	-	11.521
	52.648.185	**11.521**

As of 31 December 2018, and 2017, the maturities of trade payables are 110 days and 71 days on average and they are discounted with average annual interest rates of 15,76% and 12,47% 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 2018**	**31 December 2017**
Other receivables from related parties (Note 24)	1.122.453	6.731.773
Receivables from tax office	4.269.743	4.087.946
Due from personnel	9.690.956	2.548.717
Other miscellaneous receivables	3.367.607	2.780.104
	18.450.759	**16.148.540**

Other Long-term Receivables	**31 December 2018**	**31 December 2017**
Deposits and guarantees given	152.524	135.285
	152.524	**135.285**

Other Payables

Other Short-term Payables	**31 December 2018**	**31 December 2017**
Other payables to public authorities	8.598.888	6.090.697
Other payables to related parties (Note 24)	1.002.399	951.582
Deposits and guarantees taken	3.529.317	6.233.119
	13.130.604	**13.275.398**

8. INVENTORIES

	31 December 2018	**31 December 2017**
Raw materials	156.491.694	70.435.742
Materials and supplies	63.708.251	58.345.025
Semi-finished goods	29.060.787	25.065.296
Finished goods	158.653.927	106.708.035
Trade goods	82.091.368	65.519.883
Goods in transit	92.188.402	76.210.877
Less: Impairment on inventories	(10.570.661)	(9.059.487)
	571.623.768	**393.225.371**

Provision for impairment on inventories is shown in cost of goods sold 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:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance	9.059.487	6.125.065
Period charge	1.511.174	2.934.422
Closing balance	**10.570.661**	**9.059.487**

9. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2018	31 December 2017
Prepaid expenses	14.948.242	6.257.391
Advances given to dealers (*)	7.354.823	11.237.357
Advances given to suppliers	3.874.383	2.856.284
Advances given to personnel	5.718	-
Prepaid loan commission	-	258.036
	26.183.166	**20.609.068**

Long-term Prepaid Expenses	31 December 2018	31 December 2017
Prepaid expenses	16.819.456	8.426.935
Advances given to dealers (*)	3.306.328	13.040.363
Advances given for fixed assets (**)	13.530.457	4.789.999
Prepaid loan commission	-	2.150.304
	33.656.241	**28.407.601**

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

(**) TL 11.310.048 of advance is mainly given to construction companies for Aksaray factory investment (31 December 2017: 878.959).

Short-term Deferred Income	31 December 2018	31 December 2017
Advances received	3.165.180	8.093.632
Deferred income	2.787.544	937.119
	5.952.724	**9.030.751**

Long-term Deferred Income	31 December 2018	31 December 2017
Deferred Income	84.168	457.759
	84.168	**457.759**

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

10. PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Transfers (*)	Disposals	31 December 2018
Cost					
Land and land improvements	17.918.386	62.150	61.305.584	-	79.286.120
Buildings	259.639.893	14.905	425.377.460	-	685.032.258
Machinery and equipment	1.645.065.282	1.541.050	596.736.948	(1.117.831)	2.242.225.449
Motor vehicles	8.849.297	495.803	6.652.692	(67.584)	15.930.208
Furniture and fixtures	100.269.642	5.651.506	18.406.200	-	124.327.348
Other fixed assets	98.167.520	12.678.275	498.423	(338.603)	111.005.615
Construction in progress	1.034.757.112	215.068.132	(1.136.368.244)	-	113.457.000
	3.164.667.132	**235.511.821**	**(27.390.937)**	**(1.524.018)**	**3.371.263.998**
Accumulated depreciation					
Land and land improvements	10.868.255	3.190.944	-	-	14.059.199
Buildings	155.924.709	15.729.461	-	-	171.654.170
Machinery and equipment	1.219.323.115	105.962.491	-	(1.117.831)	1.324.167.775
Motor vehicles	4.682.412	1.491.824	-	(57.182)	6.117.054
Furniture and fixtures	43.296.239	10.918.733	-	-	54.214.972
Other fixed assets	37.612.181	10.090.127	-	(149.191)	47.553.117
	1.471.706.911	**147.383.580**	**-**	**(1.324.204)**	**1.617.766.287**
Net book value	**1.692.960.221**	**88.128.241**	**(27.390.937)**	**(199.814)**	**1.753.497.711**

(*) TL 27.390.937 of construction in progress, transferred to intangible assets at the current year (2016: TL 12.623.482).

For the year ended 31 December 2018, TL 112.127.273 of the depreciation expense is charged to cost of goods sold, TL 162.338 is charged to research and development expenses, TL 18.101.071 is charged to selling and marketing expenses, TL 3.329.389 charged to general administrative expenses, TL 11.845.204 of the depreciation expense is charged to inventories, TL 1.818.305 of the depreciation expense is charged to capitalized development costs.

As of 31 December 2018, there are no mortgages on property, plant and equipment and intangible assets (2017: None).

The capitalized borrowing cost is TL 8.466.079 for the year ended 31 December 2018 (2017: 67.802.975) (Note 21).

In line with the Company’s long-term investment plans, the first phase of the factory which was started in 2014 with total area of 950.000 m2 located under Aksaray Province Organized Industrial Zone was completed in January 2018, production and sales operations were started. Investments in the second factory in Aksaray continue within the framework of capacity building plans.

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

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

	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**

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.

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

11. INTANGIBLE ASSETS

	1 January 2018	Additions	Transfers	Disposals	31 December 2018
Cost					
Capitalized development costs	30.591.385	-	16.908.716	-	47.500.101
Rights	92.300.032	1.662.048	1.625.172	(1.273.810)	94.313.442
Other intangible assets	62.331.751	2.155.896	8.857.049	-	73.344.696
	185.223.168	**3.817.944**	**27.390.937**	**(1.273.810)**	**215.158.239**
Accumulated depreciation					
Capitalized development costs	10.729.148	7.465.392	-	-	18.194.540
Rights	69.143.009	9.473.474	-	(720.485)	77.895.998
Other intangible assets	44.327.670	8.722.729	-	-	53.050.399
	124.199.827	**25.661.595**	**-**	**(720.485)**	**149.140.937**
Net book value	**61.023.341**	**(21.843.651)**	**27.390.937**	**(553.325)**	**66.017.302**

For the year ended 31 December 2018, TL 9.146.189 of the amortization expense is charged to cost of goods sold, TL 4.639 is charged to research and development expenses, TL 11.672.292 is charged to selling and marketing expenses, TL 3.770.121 expense is charged to general administrative expenses, TL 996.625 is included in inventories, TL 71.729 of the depreciation expense is charged to capitalized development costs.

	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 amortization 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.

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

12. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

Short-term provisions	**31 December 2018**	**31 December 2017**
Provision for lawsuits	9.430.298	5.503.105
Provision for warranty claims	470.316	470.316
Other	4.518.424	1.365.207
	14.419.038	**7.338.628**

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**
1 January 2018	5.503.105	470.316	1.365.207	7.338.628
Additions	4.607.197	-	3.891.919	8.499.116
Payments / reversals	(680.004)	-	(738.702)	(1.418.706)
31 December 2018	**9.430.298**	**470.316**	**4.518.424**	**14.419.038**

	Lawsuits	**Warranty claims**	**Other**	**Total**
1 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**

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

13. COMMITMENTS

Guarantees Received	**31 December 2018**	**31 December 2017**
Direct debiting system (“DDS”) limits	269.210.199	236.245.203
Letter of guarantees received	472.367.820	356.835.324
Mortgages	143.228.763	131.441.777
Export insurance	164.404.452	96.722.010
Cheques and notes receivables received as guarantee	10.176.812	27.978.665
Domestic receivables insurance	83.300.850	-
Payment guarantees obtained from banks	14.228.940	9.596.985
Letter of credit	11.060.303	4.825.376
Foreign currency blockage received as guarantee	3.529.317	512.118
	1.171.507.456	**864.157.458**

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.

The Company has guarantees comprising letters of guarantee received, mortgages, DDS limits provided to customers through notes and banks in order to minimize customer credit risk in forward sales made to domestic customers. The Company also has guarantees for receivables from foreign customers due to credit risk management including export insurance, bank guarantee letters and letter of credit.

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.

The amount of collaterals received by the Company within the scope of the agreement made with the domestic and international insurance companies in order to enable the Company to open account and term sales to the domestic dealers and fleet customers is stated as domestic receivables 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 2018, and 2017 collaterals, pledges and mortgages (“CPM”) given by the Company is as follows:

		31 December 2018			31 December 2017		
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	16.837.891	16.837.891	TL	7.598.666	7.598.666
		USD	914.945	4.813.434	USD	1.644.896	6.204.383
		EURO	2.941.655	17.732.296	EURO	3.736.434	16.871.868
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	-	-	-	-	-	-
		-	-	**39.383.621**			**30.674.917**

The ratio of other CPM to equity is 0% (31 December 2017: 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 labor matters, guarantees to several governmental institutions to participate in several tenders.

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

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2018	31 December 2017
Salaries and wages payable	3.448.135	3.552.038
Social security premiums payable	10.586.572	14.155.146
Withholding personnel income tax payable	8.439.347	6.964.201
Private pension contributions payable	55.689	75.337
	22.529.743	**24.746.722**

Short-term provisions for employee benefits

	31 December 2018	31 December 2017
Bonus accruals	12.700.000	15.376.405
Unused vacation pay provision	5.479.204	4.896.859
	18.179.204	**20.273.264**

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay provision	Total
1 January 2018	15.376.405	4.896.859	20.273.264
Additions	7.245.808	1.325.263	8.571.071
Payments/ Cancellations	(9.922.213)	(742.918)	(10.665.131)
31 December 2018	**12.700.000**	**5.479.204**	**18.179.204**

	Bonus accruals	Unused vacation pay provision	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**

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 5.434,42 for each period of service at 31 December 2018 (31 December 2017: TL 4.732,48).

(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 2018, 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 2018	**31 December 2017**
Discount rate (%)	5,50	4,72

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 6.017,60 effective from 1 January 2019 (1 January 2018: TL 5.001,76) has been taken into consideration in calculation of provision from employee termination benefits. As of 31 December 2018, rates of voluntary employee withdrawal is 6,31%.

The movement of employee termination benefits is as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
As of 1 January,	48.368.213	53.413.359
Service cost	4.587.492	5.338.180
Interest cost	5.444.288	5.463.222
Payments during the year	(1.981.498)	(3.308.219)
Actuarial gain / (loss)	2.210.651	(12.538.329)
As of 31 December,	**58.629.146**	**48.368.213**

15. OTHER ASSETS AND LIABILITES

Other Current Assets	**31 December 2018**	**31 December 2017**
Deferred VAT	19.858.741	20.482.797
Other miscellaneous current assets	-	577.902
	19.858.741	**21.060.699**

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

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital and adjustment to share capital

The Company adopted the registered capital system according to the provisions of the Capital Market Law and entered into this system with the permission of the Capital Market Board no. 96 dated February 24, 1989.

The registered capital ceiling of the Company is TL 400.000.000 (Four hundred million). It has been divided into 40.000.000.000 units of shares, each having a nominal value of 1 kr (One Kurus).

The permission by the Capital Market Board for the registered capital ceiling is applicable between the years of 2018-2022 (5 years). Even if the permissible registered capital ceiling is not achieved by the end of the year 2022, the board of directors may take a decision for increase of capital after the year 2022 only if authorization for a new period is received from the General Assembly by obtaining permission from the Capital Market Board for the previously permitted ceiling or a new ceiling amount. If such authorization is not received, capital increase cannot be made with the decision of the Board of Directors. The Board of Directors is authorized to increase the issued capital by issuing registered shares up to the registered capital ceiling if and when required according to the provisions of the Capital Market Law.

The Company’s authorized and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2017: 30.511.687.500 shares). All shares are paid and there is no preferred stock. All issued shares were paid in cash. The Company’s shareholders and their shareholdings at 31 December 2018 and 2017 are as follows:

Shareholders	**(%)**	**2018**	**(%)**	**2017**
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
Nominal capital	**100,00**	**305.116.875**	**100,00**	**305.116.875**
Adjustment to share capital		54.985.701		54.985.701
Adjusted capital		**360.102.576**		**360.102.576**

The shares are divided into seven classes, such as (A), (B), (C), (D), (E), (F) and (G) as listed below. In case of increase of the issued capital, new shares shall be issued for each class of shares in proportion with their share ratios in the issued capital.

Share Classes	**Number of Shares**	**Issued Capital Amount (TL)**
A	6.865.129.687,50	68.651.296,875
B	762.792.187,50	7.627.921,875
C	762.792.187,50	7.627.921,875
D	762.792.187,50	7.627.921,875
E	10.679.090.625,00	106.790.906,250
F	3.059.101.102,00	30.591.011,020
G	7.619.989.523,00	76.199.895,230
Total	**30.511.687.500,00**	**305.116.875,000**

As stated in the article of association, Hacı Ömer Sabancı Foundation which owns 100 redeemed shares has privilege in profit sharing. These privileges are being computed in accordance with the article of association.

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

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont’d)

Share premium

Share premium which is considered as a part of capital results from equity movements such as cancelled shares and gains on the sales of shares. As at 31 December 2018, The Company’s share premium in the financial statements is TL 4.903 (31 December 2017: TL 4.903).

Restricted reserves and retained earnings

Restricted reserves are reserves which are reserved for specific purposes other than law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company’s statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

The details of the Company’s restricted reserves at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
1st group legal reserves	38.201.003	33.526.944
2nd group legal reserves	83.675.988	83.675.988
Total	**121.876.991**	**117.202.932**

In accordance with the Turkish Commercial Code (“TCC”) numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cash distributions in excess of 5 percent of the paid-in share capital.

As of 31 December 2018, the Company’s 1st group legal reserves are 12,5% of the paid-in share capital, and there is no limit for the 2nd group legal reserves. Unless such reserves do not exceed half of the Company's paid-in share capital, they may only be used to settle losses, to continue operations or to prevent unemployment and to mitigate the consequences when business is not going well.

The Company’s equity is as follows:

	31 December 2018	31 December 2017
Restricted reserves	121.876.991	117.202.932
Other reserves	84.376	-
Net income for the period	95.741.377	95.203.492
Retained earnings	184.732.497	96.094.307
Total equity	**402.435.241**	**308.500.731**

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

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Other Comprehensive Income or Expenses that will be Reclassified to Profit or (Loss)

	Hedging reserve gains / (losses)
As at 1 January 2017 (Opening balance)	**327.501**
Current year increase / (decrease)	10.074.756
Tax effect	(2.014.951)
As at 31 December 2017 (Closing balance)	**8.387.306**
As at 1 January 2018 (Opening balance)	**8.387.306**
Current year increase / (decrease)	180.431.660
Tax effect	(35.134.416)
As at 31 December 2018 (Closing balance)	**153.684.550**

Other Comprehensive Income or Expenses that will not be Reclassified to Profit or (Loss)

	Actuarial gains / (losses)
As at 1 January 2017 (Opening balance)	**(3.546.159)**
Current year increase / (decrease)	12.538.329
Tax effect	(2.507.666)
As at 31 December 2017 (Closing balance)	**6.484.504**
As at 1 January 2018 (Opening balance)	**6.484.504**
Current year increase / (decrease)	(2.210.651)
Tax effect	442.130
As at 31 December 2018 (Closing balance)	**4.715.983**

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

17. SALES AND COST OF GOODS SOLD

Revenue	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Domestic sales	2.161.780.203	1.856.913.433
Foreign sales	1.089.293.799	672.147.617
Sales returns (-)	(19.961.526)	(14.648.115)
Sales discounts (-)	(160.292.926)	(161.828.411)
Other sales discounts (-)	(72.043.854)	(58.448.549)
Net Sales	**2.998.775.696**	**2.294.135.975**
Cost of sales	(2.232.016.139)	(1.682.952.842)
Gross profit	**766.759.557**	**611.183.133**

18. EXPENSES BY NATURE

	1 January- 31 December 2018	**1 January- 31 December 2017**
Raw materials and supplies	1.406.486.264	1.036.448.684
Personnel expenses and direct labor expenses	404.300.843	335.798.450
Cost of trade goods sold	310.929.429	242.054.164
Depreciation and amortization	158.313.312	105.150.753
Production overheads	142.152.351	105.535.199
Advertisement expenses	94.103.978	81.255.255
Royalty and sales commission expenses	52.001.255	37.766.540
Impairment loss on trade receivables, net	52.853.548	65.145.971
Communication and information technology expenses	16.176.503	14.707.652
Rent expenses	7.308.945	3.436.429
Service, maintenance and repair expenses	7.457.922	5.904.261
Real estate and stamp tax expenses	4.963.480	3.753.324
Claims for defective tires	6.052.094	2.806.308
Transportation and storage expenses	3.871.546	6.767.180
Energy expenses	2.970.077	2.215.336
Insurance expenses	2.566.038	1.705.597
ELT (end of life-tire) management service	1.336.266	1.188.475
Change in semi-finished goods	(3.448.587)	(5.265.110)
Change in finished goods	(57.413.782)	(4.523.130)
Other expenses	42.774.515	34.972.968
	2.655.755.997	**2.076.824.306**

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

18. EXPENSES BY NATURE (Cont’d)

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

Personnel expenses	**1 January-31 December 2018**	**1 January-31 December 2017**
Cost of sales	312.037.002	238.826.034
Marketing expenses	57.321.780	50.629.353
General administrative expenses	34.065.253	45.517.217
Research and development expenses	876.808	825.846
	404.300.843	**335.798.450**

Depreciation and amortization expenses	**1 January-31 December 2018**	**1 January-31 December 2017**
Cost of sales	121.273.462	69.877.003
Marketing expenses	29.773.363	28.026.489
General administrative expenses	7.099.510	7.026.471
Research and development expenses	166.977	220.790
	158.313.312	**105.150.753**

19. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	**1 January-31 December 2017**
Income from derivative financial instruments, net	150.543.547	-
Finance income on credit sales	93.173.601	68.459.374
Interest income on credit sales	7.862.968	8.887.862
Other income	6.738.746	5.609.721
	258.318.862	**82.956.957**

(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 2018 and 2017 are as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Foreign exchange losses on operations, net (*)	95.085.901	7.519.380
Due date expenses on trade payables	65.954.717	29.044.692
Loss from derivative financial instruments, net	-	2.872.730
Other expenses	10.947.411	3.394.882
	171.988.029	**42.831.684**

(*) 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 2018**	**1 January- 31 December 2017**
Gain on sale of property, plant and equipment	258.229	300.032
	258.229	**300.032**

Expenses from Investing Activities	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Loss on sale of property, plant and equipment	307.592	93.579
	307.592	**93.579**

21. FINANCIAL EXPENSES

Details of financial expenses for years ended 31 December 2018 and 2017 are as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Interest expenses on borrowings	286.255.478	226.468.286
Interest expense included in cost of fixed assets	(8.466.079)	(67.802.975)
Total interest expense	**277.789.399**	**158.665.311**
Interest (income) from banks	(10.467.244)	(307.313)
Foreign currency (gains) / losses, net	67.912.106	30.455.535
(Income)/Loss from derivative financial instruments, net	-	(28.477.067)
Total financial expenses	**335.234.261**	**160.336.466**

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

22. TAXATION ON INCOME

Corporate tax

	31 December 2018	31 December 2017
Corporate income tax provision for the current period	685.180	1.820.468
Less: Prepaid taxes	(1.974.200)	(2.051.121)
Tax assets related with the current period	**(1.289.020)**	**(230.653)**

As of 31 December 2018, the amount of prepaid tax expense amounting to TL 1.289.020, which is the portion exceeding the corporate tax payable, is included in the current tax assets (2017: TL 230.653 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.

Applied corporate tax rate is %22 in 2018 (2017: %20)

	1 January- 31 December 2018	1 January- 31 December 2017
Current period corporate tax expense	(685.180)	(1.820.468)
Deferred tax income / (expense)	2.359.649	(282.969)
	1.674.469	**(2.103.437)**

Current period tax reconciliation for the years ended 31 December 2018 and 2017 is as follows:

Tax provision reconciliation:	1 January- 31 December 2018	%	1 January- 31 December 2017	%
Profit before taxation on income	94.066.908		97.306.929	
Corporate tax rate %22 (2017: %20)	(20.694.720)	(22,00)	(19.461.386)	(20,00)
Tax effect:				
- Non-taxable income	1.331.847	1,42	700.457	0,72
- Non-deductible expenses	(2.907.293)	(3,09)	(475.448)	(0,49)
- The effect of change in corporate tax rate	701.209	0,75	3.049.892	3,13
- Research and development incentive	3.113.302	3,31	1.362.652	1,40
- Reduced corporate tax deferred tax Income / (expense)	11.871.892	12,62	(2.931.805)	(3,01)
- Reduced corporate tax	8.258.232	8,78	15.652.201	16,09
Tax income / (expense) recognized in statement of profit or loss	**1.674.469**	**1,78**	**(2.103.437)**	**(2,16)**

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

22. TAXATION ON INCOME (Cont'd)

Deferred tax

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

In Turkey, corporate tax rate is 20% as of 31 December 2017. 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 2018 are calculated by 22% (2017: 22%) tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and by 20% (2017: 20%) tax for those which will be realized after 2021 and onwards.

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 2018 and 2017 using the enacted tax rates are as follows:

	Temporary differences		**Deferred income tax assets / liabilities**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Deferred tax assets				
Forward foreign exchange valuation differences	844.519.750	178.011.340	169.899.616	35.668.356
Allowance for doubtful receivables	70.225.790	81.970.124	15.449.674	18.033.427
Provision for employment termination benefits	58.629.146	48.368.213	11.725.829	9.673.643
Trade receivables	51.089.135	12.836.575	11.239.610	2.824.047
Provision for bonus premium	12.700.000	15.376.405	2.794.000	3.382.809
Provision for lawsuits	9.430.298	5.503.105	2.074.666	1.210.683
Provision for unused vacation liability	5.479.204	4.896.859	1.205.425	1.077.309
Inventories	-	25.120.700	-	5.526.554
Provision for warranty claims	470.316	470.316	103.470	103.470
Investment incentive	-	-	29.129.915	17.258.023
Other	11.217.213	806.879	2.467.786	177.513
	1.063.760.852	**373.360.516**	**246.089.991**	**94.935.834**
Deferred tax liabilities				
Forward foreign exchange valuation differences	1.038.719.181	185.191.072	207.853.259	37.038.214
Property, plant and equipment	297.730.245	247.047.781	59.546.049	49.409.556
Trade payables	9.353.118	5.108.113	2.057.686	1.123.785
Inventories	5.440.172	-	1.196.838	-
Other	676.118	1.362.472	143.584	272.494
	1.351.918.834	**438.709.438**	**270.797.416**	**87.844.049**
Deferred tax assets / (liabilities), net			**(24.707.425)**	**7.091.785**

(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 2018 and 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening as of 1 January	7.091.785	11.897.371
Adjustment related with the first implementation of TFRS 9 (*)	533.427	-
Restated balance as of 1 January 2018	7.625.212	11.897.371
Recognized in profit or loss statement	2.359.649	(282.969)
Income / (expense) recognized in equity	(34.692.286)	(4.522.617)
Closing as of 31 December	**(24.707.425)**	**7.091.785**

(*) The Company applied TFRS 9 on 1 January 2018, comparative balances are not restated according to the selected transition method.

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 14.968.248 for the years ended between the years 2010-2017 and TL 685.180 for the period 1 January – 31 December 2018.

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 TL 755.998.847. The document has been revised again on 5 November 2018 and the total investment expenditure figure has been increased to TL 1.157.187.900. There has been no change in the supportive factor of the new investment incentive document. The Company utilized reduced corporate tax amounting to TL 68.222.300 for the years ended between the years 2013-2017 and TL 6.523.759 for the period 1 January – 31 December 2018.

The duration of the investment incentive certificate received for the Company’s Aksaray Plant dated 9 October 2013 has been expanded from 9 October 2018 to 9 April 2021. With this extension, the 90% corporate tax deduction under the Aksaray large-scale investment incentive will continue to be applied to the entire Company tax base until April 2021, as in the last 5 years, regardless of the factory distinction.

(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 2.047.928 for the years ended between the years 2015 - 2017 and TL 1.068.855 for the period 1 January – 31 December 2018.

The Company estimates to utilize TL 916.462.798 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 29.129.915 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 2018	**31 December 2017**
Average number of shares during the period	30.511.687.500	30.511.687.500
Net profit for the period	95.741.377	95.203.492
Profit attributable to redeemed to shares	4.703.345	4.865.346
Earnings shares with nominal value of 1 TL	0,298	0,296
Diluted earnings share with nominal value of 1 TL	0,298	0,296

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2018 mostly consist of sales transactions and have average maturity of approximately 6 days (2017: 18). Due to related parties as of 31 December 2018 mostly consist of purchase transactions and have average maturity of approximately 168 days (2017: 154).

Balances with related parties	**31 December 2018**			
	Receivables Short-term		**Payables Short / Long term (*)**	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H.Ö. Sabancı Holding A.Ş.	-	-	754	-
Bridgestone Corporation	993.212	326.965	66.055.900	998.871
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	173.284.766	-
Kordsa Teknik Tekstil A.Ş.	-	-	66.571.911	-
Bridgestone (Shenyang) Steel Cord	-	-	3.378.302	-
Enerjisa Enerji Üretim A.Ş.	-	-	3.203.254	-
Bridgestone Europe S.A/N.V.	15.529.572	794.069	3.931.164	-
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	3.810.065	-	-	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (**)	-	-	4.050.256	-
Akbank T.A.Ş	320.858	-	4.542.774	-
Other	1.973.043	1.419	5.885.158	3.528
	22.626.750	**1.122.453**	**330.904.239**	**1.002.399**

(*) TL 52.648.185 of trade payables consists of long-term royalty and sales commission payable to Bridgestone Corporation.

Balances with related parties	**31 December 2017**			
	Receivables Short-term		**Payables Short**	
	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	-
Kordsa Teknik Tekstil A.Ş.	-	-	26.173.941	-
Bridgestone Europe S.A/N.V.	14.038.952	997.189	16.466.338	-
Bridgestone (Shenyang) Steel Cord	-	-	5.156.910	-
Bridgestone Hıspania S.A.	-	5.719.542	-	-
Enerjisa Enerji Üretim A.Ş.	-	-	3.709.328	-
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	4.030.903	-	-	-
Bimsa Uluslararası Bilgi Yönt.Sistem. A.Ş. (**)	-	-	3.833.211	-
Akbank T.A.Ş .	1.909.655	-	-	-
Other	916.005	-	6.157.531	12.944
	21.514.565	**6.731.773**	**230.009.776**	**951.582**

(**) The name of Bimsa Uluslararası Bilgi Yönt.Sistem. A.Ş. was changed as Sabancı Dijital Teknoloji Hizmetleri A.Ş. in 2018.

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

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

Sales of finished goods and trade goods	**1 January-31 December 2018**	**1 January-31 December 2017**
Shareholders		
Bridgestone Corporation	20.082.321	3.480.503
Other related parties		
Bridgestone Europe SA./N.V.	265.348.657	170.703.079
Bridgestone Tatabanya Termelo	27.099.065	-
Akbank T.A.Ş.	17.607.193	1.953.634
Bridgestone Poznan Sp. z o.o.	9.451.131	-
Temsa Ulaşım Araçları San.ve Tic. A.Ş.	8.674.851	9.132.758
Bridgestone France	5.434.660	-
Other	4.273.793	3.341.430
	357.971.671	**188.611.404**

Other sales	**1 January-31 December 2018**	**1 January-31 December 2017**
Shareholders		
Bridgestone Corporation	329.035	13.512
Other related parties		
Bridgestone Hispania S.A.	501.743	5.852.096
Other	166.238	295.731
	997.016	**6.161.339**

Purchases of Raw Materials, Semi Finished Goods and Consumables	**1 January-31 December 2018**	**1 January-31 December 2017**
Shareholders		
Bridgestone Corporation	2.530.146	2.674.841
Other related parties		
Bridgestone Singapore Pte. Ltd.	356.729.139	300.302.671
Kordsa Teknik Tekstil A.Ş.	108.223.451	76.131.425
Bridgestone (Shenyang) Steel Cord Co.	16.757.739	15.644.385
Firestone Polymers, LLC.	10.905.516	8.881.867
Bridgestone Carbon Black Co. Ltd.	6.478.883	4.125.682
Other	6.343.767	2.902.078
	507.968.641	**410.662.949**

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

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

Purchases of finished goods and trade goods	1 January- 31 December 2018	1 January- 31 December 2017
Shareholders		
Bridgestone Corporation	92.335.620	54.096.277
Other related parties		
Bridgestone Europe SA./N.V.	179.800.210	145.731.480
Enerjisa Enerji Üretim A.Ş.	40.851.068	45.467.565
Other	295.185	1.528.128
	313.282.083	**246.823.450**

Purchases of services	1 January- 31 December 2018	1 January- 31 December 2017
Shareholders		
H. Ö. Sabancı Holding A.Ş.	83.414	138.686
Other related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (*)	16.333.253	14.449.508
Aksigorta A.Ş.	11.944.801	10.453.492
Lasder Lastik San. Derneği İktisadi İşletmesi	9.293.132	8.864.364
Vista Turizm ve Seyahat A.Ş.	4.058.993	4.663.496
Other	2.032.272	1.800.414
	43.745.865	**40.369.960**

(*) The name of Bimsa Uluslararası Bilgi Yönt.Sistem. A.Ş. was changed as Sabancı Dijital Teknoloji Hizmetleri A.Ş. in 2018.

Rent expense	1 January- 31 December 2018	1 January- 31 December 2017
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	770.880	638.280
Teknosa İç ve Dış Ticaret A.Ş.	52.202	41.923
	823.082	**680.203**

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

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

Purchase of fixed assets	**1 January-31 December 2018**	**1 January-31 December 2017**
Shareholders		
Bridgestone Corporation	23.550.123	55.597.757
Other related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş. (*)	4.214.601	4.971.312
Bridgestone Plant Eng.	5.624.489	582.668
Bridgestone Logistics Co.	307.972	886.315
Other	232.883	828.600
	33.930.068	**62.866.652**

(*) The name of Bimsa Uluslararası Bilgi Yönt.Sistem. A.Ş. was changed as Sabancı Dijital Teknoloji Hizmetleri A.Ş. in 2018.

Commission expense (Sales premium and Royalty)	**1 January-31 December 2018**	**1 January-31 December 2017**
Shareholders		
Bridgestone Corporation	52.001.255	37.766.540
	52.001.255	**37.766.540**

	1 January-31 December 2018	**1 January-31 December 2017**
Finance income		
Akbank Malta	8.436.040	-
Akbank T.A.Ş.	588.402	44.286
	9.024.442	**44.286**
Finance expense		
Akbank Malta	62.683.248	35.038.345
Akbank T.A.Ş.	28.828	12.573
	62.712.076	**35.050.918**

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

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

	31 December 2018	31 December 2017
Demand deposits		
Akbank T.A.Ş.	6.750.379	6.734.737
	6.750.379	**6.734.737**
Time deposits (Less than 3 months)		
Akbank Malta	32.154.134	-
Akbank T.A.Ş.	8.673.896	3.523.826
	40.828.030	**3.523.826**
Credit card slip receivables		
Akbank T.A.Ş.	24.918.991	23.922.321
	24.918.991	**23.922.321**
Long-term financial liabilities		
Akbank Malta	905.738.539	661.797.918
	905.738.539	**661.797.918**
Advances given		
Ak Yatırım Menkul Değerler A.Ş.	2.207.918	-
Bridgestone Corporation	-	136.915
Bridgestone Plant Eng.	-	51.593
Bridgestone Logistics Co.	-	218.937
	2.207.918	**407.445**
Advances received		
Bridgestone Corporation	9.221	-
Bridgestone Europe SA./N.V.	-	167.926
	9.221	**167.926**
Derivatives Assets		
Akbank Malta	448.466.348	112.970.867
Ak Yatırım Menkul Değerler A.Ş.	6.290.688	-
	454.757.036	**112.970.867**

(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 2018 and 2017 are as follows:

	1 January- 31 December 2018	**1 January- 31 December 2017**
Salaries and other short-term benefits	6.813.135	6.113.886
Employment termination benefits	174.679	114.219
Other long-term benefits	167.004	127.234
	7.154.818	**6.355.339**

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 minimize 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 2018, and 2017, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2018

Contractual maturities	**Carrying value**	**Contractual cash flows total (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**Over 5 years (IV)**
Non-derivative financial liabilities						
Bank loans (*)	2.662.098.547	2.584.359.013	152.095.830	239.444.828	2.030.313.589	162.504.766
Trade payables	766.190.130	775.543.247	581.910.439	140.984.623	52.648.185	-
Other payables	35.660.347	35.660.347	30.181.143	5.479.204	-	-
Total liabilities	**3.463.949.024**	**3.395.562.607**	**764.187.412**	**385.908.655**	**2.082.961.774**	**162.504.766**

Contractual Maturities	**Carrying value**	**Contractual cash flows total (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**Over 5 years (IV)**
Derivative financial liabilities						
Derivative cash inflows	(8.141.075)	(269.273.280)	(266.454.780)	(2.818.500)	-	-
Derivative cash outflows	50.688.422	375.371.831	315.925.450	59.446.381	-	-
	42.547.347	**106.098.551**	**49.470.670**	**56.627.881**	**-**	**-**

31 December 2017

Contractual maturities	**Carrying value**	**Contractual cash flows total (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**Over 5 years (IV)**
Non-derivative financial liabilities						
Bank loans (*)	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	35.660.347	35.660.347	30.181.143	5.479.204	-	-
Total liabilities	**2.653.176.027**	**2.671.536.486**	**831.068.854**	**207.140.477**	**1.553.108.136**	**80.219.019**

Contractual Maturities	**Carrying value**	**Contractual cash flows total (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**Over 5 years (IV)**
Derivative financial liabilities						
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**	**-**	**-**

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

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

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

(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.

Interest rate risk table of the Company as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Financial liabilities (*)	2.662.098.547	2.029.994.661
Time deposits	40.828.030	3.528.028

(*) Floating rate loans are shown as financial instruments with fixed interest rate due to cross currency and interest swap agreements.

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 rate 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.

(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 Position

The Company’s assets and liabilities denominated in foreign currencies at 31 December 2018 and 2017 are as follows:

	31 December 2018				
Foreign currency position table	**TL Equivalent (Functional currency)**	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	40.689.887	7.606.496	40.991	233.096	62.334
Trade receivables	76.862.665	3.669.606	8.367.957	13.112.509	975.789
Other receivables	2.115	360	-	4.660	-
Trade receivables from related parties	17.341.800	-	2.876.135	93.772	-
Other receivables from related parties	1.122.456	-	186.207	-	-
Current Assets	**136.018.923**	**11.276.462**	**11.471.290**	**13.444.037**	**1.038.123**
Trade receivables	6.558	345	-	-	713
Non-Current Assets	**6.558**	**345**	**-**	**-**	**713**
Total Assets	**136.025.481**	**11.276.807**	**11.471.290**	**13.444.037**	**1.038.836**
Trade payables	216.884.851	6.035.114	29.831.212	102.548.632	65.416
Trade payables to related parties	241.870.422	36.564.214	7.478.779	93.121.928	-
Other payables	3.529.317	670.858	-	-	-
Other payables to related parties	999.098	43	-	21.008.086	-
Short-term portion of long-term bank borrowings	218.021.133	41.441.794	-	-	-
Current Liabilities	**681.304.821**	**84.712.023**	**37.309.991**	**216.678.646**	**65.416**
Long-term bank borrowings	2.103.717.190	399.877.814	-	-	-
Long-term trade payables to related parties	52.648.185	10.007.448	-	-	-
Non-Current Liabilities	**2.156.365.375**	**409.885.262**	**-**	**-**	**-**
Total Liabilities	**2.837.670.196**	**494.597.285**	**37.309.991**	**216.678.646**	**65.416**
Net Foreign Currency Position	**(2.701.644.715)**	**(483.320.478)**	**(25.838.701)**	**(203.234.609)**	**973.420**
Total foreign currency amount of off-balance sheet derivative financial assets	2.642.797.525	483.441.146	16.500.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency position of derivative financial instruments (*)	**2.642.797.525**	**483.441.146**	**16.500.000**	**-**	**-**
Net foreign currency asset/ (liability) position	**(58.847.190)**	**120.668**	**(9.338.701)**	**(203.234.609)**	**973.420**
Fair Value of Financial Instruments Used for Foreign Exchange Hedge	(39.018.266)	-	-	-	-
Hedged Amount of Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**
Hedged Amount of Foreign Currency Liabilities	**(2.338.160.426)**	**(444.441.146)**	**-**	**-**	**-**
Export (**)	1.071.623.136	60.356.799	128.367.926	-	6.024.545
Import (**)	1.436.891.545	128.253.254	126.641.315	2.482.426.351	340

(*) As of December 31, 2018, the Company also has USD buying / TL selling forward contract amounting to USD 49.500.000, EUR buying / TL selling commodity swap contracts amounting to USD 8.812.100, and USD buying / TL selling F USDTRY futures contract amounting to USD 4.412.000 for the imports that will be realized in 2019 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)

Foreign Currency Position (Cont’d)

	31 December 2017				
Foreign currency position table	**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
Other receivables	16.535.188	54.992	3.615.937	-	-
Trade receivables from related parties	6.740.936	3.988	221.072	171.378.565	-
Other receivables from related parties	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	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.

(**) Rediscount of sales and purchases were not taken into consideration for the exports and imports balances denominated in foreign currency for the year ended 31 December 2018 and 2017. 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 analysis table

	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1 - USD net asset / liability	(233.752.668)	233.752.668
2- Hedged USD (-)	233.816.042	(233.816.042)
3- USD net effect (1 +2)	**63.374**	**(63.374)**
Change in Euro against TL by 10%		
4 - Euro net asset / liability	(15.575.569)	15.575.569
5 - Hedged Euro (-)	9.946.200	(9.946.200)
6- Euro net effect (4+5)	**(5.629.369)**	**5.629.369**
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	(318.723)	318.723
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	**(318.723)**	**318.723**
TOTAL (3+6+9)	**(5.884.718)**	**5.884.718**

(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 analysis 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)

Forward contracts

	Average parity		Foreign currency		Contract value		Fair value	
Outstanding	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
forward contracts	**TL**		**US Dollar and Euro**		**TL**		**TL**	
TL Selling /USD Buying								
Less than 3 months	5,7571	3,8552	83.412.000	56.900.000	480.207.730	219.363.310	(30.778.670)	(3.451.666)
Between 3 - 6 months	6,1827	3,9768	9.500.000	2.100.000	58.735.800	8.351.280	(7.840.188)	(74.538)
TL Selling /Euro Buying								
Less than 3 months	6,1923	4,6006	16.500.000	4.000.000	102.172.500	18.402.400	(399.408)	(340.400)
							(39.018.266)	**(3.866.604)**

	Parity		Foreign currency		Contract value		Fair value	
Outstanding	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
forward contracts	**TL**		**US Dollar and Euro**		**TL**		**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 instruments (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 2018, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2018	**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	22.626.750	736.753.838	1.122.453	13.058.563	284.147.243	1.023.295.341	-
- Collateralized or secured with guarantees part of maximum credit risk	84.085	622.873.705	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	5.194.218	688.670.113	1.122.453	13.058.563	284.147.243	1.023.295.341	-
B. Net book value of past due but not impaired financial assets	17.432.532	48.083.725	-	-	-	-	-
- Collateralized or guaranteed part	-	35.093.382	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	158.666.766	-	-	-	-	-
- Impairment (-)	-	(158.666.766)	-	-	-	-	-
- 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	-	-	-	-	-	-	-

(*) Receivables from tax office is not included.

(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)

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 period.

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 2018	**31 December 2017**
Between 0 - 1 months	35.378.877	27.168.088
Between 1 - 3 months	14.516.115	33.002.394
Between 3 - 12 months	15.621.265	22.658.146
	65.516.257	**82.828.628**

As of 31 December 2018, collaterals amounting to TL 35.093.382 have been received for receivables from third parties (2017: TL 39.091.027).

The Company calculates ECL’s based on previous year's credit losses experience, analysis of customers’ current financial situation and future expectations. The company performs the ECL rate calculations separately for domestic customers and dealers. The Company makes evaluations separately for export customers and other private customers and provides a provision where necessary. The Company has applied the doubtful receivable provision methodology by taking into consideration the dealers' remaining receivables after deducting existing collaterals, the credit risk score of the creditors evaluated by independent credit rating firms and payment history.

The table below provides information on credit risk for trade receivables as of 31 December 2018, credit losses, and exposure to ECL.

	Gross Trade Receivables(*)	**Doubtful Receivables Provision**
Domestic - Dealers	771.018.126	142.744.648
Export Receivables	55.182.358	8.886.134
Receivables from Automotive Manufacturers	42.214.510	584.597
Domestic - Customers	42.906.249	6.451.387
Trade Receivables from Related Parties	22.626.750	-
	933.947.993	**158.666.766**

(*) Gross trade receivables do not contain unearned credit finance income amounting to TL 15.900.639.

(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.

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

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

(e) Capital Risk Management (cont’d)

As of 31 December 2018, and 2017 Net debt/(equity+net debt) rates are as follows:

Capital risk management	**31 December 2018**	**31 December 2017**
Total liabilities	3.636.609.151	2.769.334.255
Cash and cash equivalents	284.147.243	194.516.054
Net debt	3.352.461.908	2.574.818.201
Equity	920.943.253	683.480.020
Equity + Net debt	**4.273.405.161**	**3.258.298.221**
Net debt / (Equity + Net Debt) ratio	**0,78**	**0,79**

26. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

31 December 2018	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Fair value through profit or loss	Carrying value	Note
Financial assets						
Cash and cash equivalents	284.147.243	-	-	-	284.147.243	3
Trade receivables	736.753.838	-	-	-	736.753.838	6
Receivables from related parties	23.749.203	-	-	-	23.749.203	6-7
Other receivables (*)	13.058.563	-	-	-	13.058.563	7
Derivative financial assets	-	-	1.022.390.231	905.110	1.023.295.341	5
	1.057.708.847	**-**	**1.022.390.231**	**905.110**	**2.081.004.188**	
Financial liabilities						
Financial liabilities	-	2.662.098.547	-	-	2.662.098.547	4
Trade payables	-	435.285.891	-	-	435.285.891	6
Payables to related parties	-	330.904.239	-	-	330.904.239	6
Derivative financial liabilities	-	-	48.541.062	2.147.360	50.688.422	5
	-	**3.428.288.677**	**48.541.062**	**2.147.360**	**3.478.977.099**	

31 December 2017	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	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	6-7
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**	

(*) Receivables from tax office and related parties are not included.

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:

The Company’s 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	Signifi-cant unob-servable inputs	Relati-onship of unobv-servable inputs to fair value
	31 December 2018		**31 December 2017**					
	Assets	**Liabilities**	**Assets**	**Liabilities**				
Forward contracts	1.850.387	47.159.341	115.529	3.304.400	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	1.015.154.266	-	185.075.543	24.824.253	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	6.290.688	-	-	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.	-	-
Commodity swap	-	3.529.081	-	-	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

None.