DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 WITH INDEPENDENT AUDITOR'S REPORT THEREON

(Originally issued in Turkish)

28 February 2017

This report is consisted of 2 pages of independent auditor's audit report and 83 pages consolidated financial statements with accompanying notes.

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish

To the Board of Directors of Doğuş Otomotiv Servis ve Ticaret A.Ş.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Doğuş Otomotiv Servis ve Ticaret A.Ş. ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Doğuş Otomotiv Servis ve Ticaret A.Ş. and its subsidiaries as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 February 2017.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the bookkeeping activities and the financial statements of the Company are not in compliance with TCC and with the 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.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner 28 February 2017
İstanbul, TURKEY

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
	Notes	**2016**	**2015**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	89,098	71,870
Trade receivables		1,213,786	1,095,624
Trade receivables due from related parties	28.3	799,371	768,976
Trade receivables due from third parties	8.1	414,415	326,648
Other receivables		95,762	52,031
Other receivables due from related parties	28.4	22	1,639
Other receivables due from third parties	9	95,740	50,392
Inventories	10	1,650,960	1,214,122
Prepayments	17.1	21,955	19,198
Current tax assets	26	-	15,984
Other current assets		68,837	20,403
Total current assets		**3,140,398**	**2,489,232**
NON-CURRENT ASSETS			
Financial investments		550,350	511,815
Available-for-sale financial assets	6	550,350	511,815
Other receivables		514	260
Other receivables due from third parties		514	260
Investments accounted for using equity method	11	305,986	239,010
Investment property	14	19,809	20,222
Property, plant and equipment	12	780,965	664,043
Intangible assets	13	26,226	20,848
Prepayments	17.2	20,121	28,811
Deferred tax asset	26	7,485	5,662
Total non-current assets		**1,711,456**	**1,490,671**
TOTAL ASSETS		**4,851,854**	**3,979,903**

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
LIABILITIES	**Notes**	**2016**	**2015**
CURRENT LIABILITIES			
Current borrowings	7	2,446,084	1,619,581
Current portion of non-current borrowings	7	284,179	25,335
Trade payables		770,675	509,411
Trade payables to related parties	28.7	39,187	23,565
Trade payables to third parties	8.2	731,488	485,846
Employee benefit obligations		16,458	13,894
Deferred income	17.3	29,239	13,604
Current tax liabilities	26	3,033	3,166
Current provisions		67,976	54,983
Current provisions for employee benefits	15.1	6,166	5,193
Other current provisions	15.1	61,810	49,790
Other current liabilities	18	67,602	64,061
Total current liabilities		**3,685,246**	**2,304,035**
NON-CURRENT LIABILITIES			
Long-term borrowings	7	28,172	296,208
Deferred income		1,995	215
Non-current provisions		14,856	13,937
Non-current provisions for employee benefits	16	14,856	13,937
Deferred tax liabilities	26	2,872	2,625
Total non-current liabilities		**47,895**	**312,985**
TOTAL LIABILITIES		**3,733,141**	**2,617,020**
EQUITY			
Equity attributable to equity holders of the Company		**1,114,091**	**1,358,516**
Issued capital	19	220,000	220,000
Inflation adjustment on capital	19	23,115	23,115
Treasury shares (-)	19	(220,274)	-
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		*(7,636)*	*(7,248)*
Gains (losses) on revaluation and remeasurement		(7,636)	(7,248)
Gains (losses) on remeasurements of defined benefit plans		(7,636)	(7,248)
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		*475,472*	*436,923*
Currency translation differences	19	5,808	6,033
Gains (losses) on revaluation and reclassification		469,664	430,890
Gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets	19	469,664	430,890
Restricted reserves appropriated from profits	19	446,283	146,889
Legal reserves		156,314	126,450
Treasury share reserves		220,274	-
Other restricted profit reserves		69,695	20,439
Retained earnings / (Accumulated losses)	19	(60,557)	235,916
Profit for the period		237,688	302,921
Non-controlling interests	19	**4,622**	**4,367**
TOTAL EQUITY		**1,118,713**	**1,362,883**
TOTAL EQUITY AND LIABILITIES		**4,851,854**	**3,979,903**

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED PROFIT OR LOSS STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
	Notes	**2016**	**2015**
Revenue	20	11,925,176	10,889,161
Cost of sales	20	(10,772,300)	(9,780,598)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**1,152,876**	**1,108,563**
GROSS PROFIT (LOSS)		**1,152,876**	**1,108,563**
General administrative expenses	21	(394,690)	(310,269)
Marketing expenses	21	(415,575)	(363,500)
Other income from operating activities	23.1	157,539	67,077
Other expenses from operating activities	23.2	(74,194)	(55,303)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**425,956**	**446,568**
Investment activity income	24	23,024	46,875
Share of profit (loss) from investments accounted for using equity method	11	98,849	43,434
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**547,829**	**536,877**
Finance costs	25	(272,697)	(171,488)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**275,132**	**365,389**
Tax (expense) income, continuing operations		**(37,189)**	**(62,945)**
Current period tax (expense) income	26	(40,594)	(61,976)
Deferred tax (expense) income	26	3,405	(969)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**237,943**	**302,444**
PROFIT (LOSS)		**237,943**	**302,444**
Profit (loss), attributable to			
Non-controlling interests		**255**	**(477)**
Owners of parent		**237,688**	**302,921**
Basic earnings per share			
Basic earnings(loss) per share from continuing operations	27	**1.1098**	**1.3769**
Diluted earnings per share			
Diluted earnings(loss) per share from continuing operations	27	**1.1098**	**1.3769**

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

		Audited	
	Notes	**2016**	**2015**
PROFIT (LOSS)		**237,943**	**302,444**
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss		**(388)**	**(1,611)**
Gains (losses) on remeasurements of defined benefit plans	16	(485)	(2,014)
Other comprehensive income that will not be reclassified to profit or loss, tax effect		*97*	*403*
Gains (losses) on remeasurements of defined benefit plans, tax effect	26	97	403
Other comprehensive income that will be reclassified to profit or loss		**38,549**	**(24,286)**
Foreign currency translation differences		(225)	3,591
Gains (losses) on remeasuring and/or reclassification of available-for-sale-financial assets		*38,535*	*(19,366)*
Gains (losses) on remeasuring available-for-sale-financial assets	6	38,535	(19,366)
Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss	11	2,165	(9,518)
Other comprehensive income that will be reclassified to profit or loss, tax effect		*(1,926)*	*1,007*
Gains (losses) on remeasuring or reclassification on available-for-sale-financial assets, tax effect	26	(1,926)	1,007
OTHER COMPREHENSIVE INCOME (LOSS)		**38,161**	**(25,897)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**276,104**	**276,547**
Total comprehensive income attributable to			
Non-controlling interests		255	(477)
Owners of parent		275,849	277,024

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER
(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

				Accumulated other comprehensive income and expense that will not be reclassified through profit or loss	Accumulated other comprehensive income and expense that will be reclassified through profit or loss				Accumulated earnings				
	Issued capital (Note 19)	Inflation adjustments on capital (Note 19)	Treasury Shares (Note 19)	Gains / losses on remeasurements of defined benefit plans	Foreign currency translation difference (Note 19)	Hedge reserve (Note 19)	Gains/ Losses on remeasuring of available-for-sale financial assets (Note 19)	Restricted Reserve (Note 19)	Retained earnings/ (Accumulated losses)	Net profit/ loss for the period	Equity attributable to equity holders of the Company	Non-controlling interests (Note 19)	Total Equity
Balance at 1 January 2015	**220,000**	**23,115**	**-**	**(5,637)**	**2,442**	**8,414**	**450,352**	**132,704**	**148,466**	**251,635**	**1,231,491**	**4,844**	**1,236,335**
Transfers	-	-	-	-	-	-	-	14,185	237,450	(251,635)	-	-	-
Total comprehensive income (loss)	**-**	**-**	**-**	**(1,611)**	**3,591**	**(8,414)**	**(19,462)**	**-**	**-**	**302,921**	**277,025**	**(477)**	**276,548**
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	302,921	302,921	(477)	302,444
Other comprehensive income (loss)	-	-	-	(1,611)	3,591	(8,414)	(19,462)	-	-	-	(25,896)	-	(25,896)
Dividends paid	-	-	-	-	-	-	-	-	(150,000)	-	(150,000)	-	(150,000)
Balance at 31 December 2015	**220,000**	**23,115**	**-**	**(7,248)**	**6,033**	**-**	**430,890**	**146,889**	**235,916**	**302,921**	**1,358,516**	**4,367**	**1,362,883**
Balance at 1 January 2016	**220,000**	**23,115**	**-**	**(7,248)**	**6,033**	**-**	**430,890**	**146,889**	**235,916**	**302,921**	**1,358,516**	**4,367**	**1,362,883**
Transfers	-	-	-	-	-	-	-	79,120	223,801	(302,921)	-	-	-
Total comprehensive income (loss)	**-**	**-**	**-**	**(388)**	**(225)**	**-**	**38,774**	**-**	**-**	**237,688**	**275,849**	**255**	**276,104**
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	237,688	237,688	255	237,943
Other comprehensive income (loss)	-	-	-	(388)	(225)	-	38,774	-	-	-	38,161	-	38,161
Dividends paid	-	-	-	-	-	-	-	-	(300,000)	-	(300,000)	-	(300,000)
Increase (decrease) through treasury share transactions	-	-	(220,274)	-	-	-	-	220,274	(220,274)	-	(220,274)	-	(220,274)
Balance at 31 December 2016	**220,000**	**23,115**	**(220,274)**	**(7,636)**	**5,808**	**-**	**469,664**	**446,283**	**(60,557)**	**237,688**	**1,114,091**	**4,622**	**1,118,713**

Accompanying notes are an integral part of these consolidated financial statements.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

	Notes	Audited	
		2016	**2015**
A. CASH FLOWS FROM OPERATING ACTIVITIES:		**122,069**	**(488,876)**
Profit (loss) for the year		237,943	302,444
Adjustments for profit (loss) for the period reconciliation:		**348,510**	**261,340**
Adjustments for depreciation and amortization expense	12, 13, 14	65,811	49,584
Adjustments for (reversal of) impairment		*889*	*189*
Adjustments for (reversal of) impairment loss of receivables	8.1	48	132
Adjustments for (reversal of) impairment loss of inventories	10	841	57
Adjustments for provisions		*97,818*	*80,541*
Adjustments for provisions for employee benefits	15.1	4,693	3,356
Adjustments for (reversal of) lawsuit and/or penalty provision expenses	15.1	6,036	1,699
Adjustments for (reversal of) warranty provisions	15.1	87,089	75,486
Adjustments for dividend (income) expense	24	(9,259)	(11,385)
Adjustments for interest (income) and expense		*267,100*	*161,987*
Adjustments for interest income	23.1	(428)	(1,718)
Adjustments for interest expense	25	267,528	163,705
Adjustments for unrealized foreign exchange losses (gains)		1,576	(3,597)
Adjustments for undistributed profits of investments accounted for using equity method	11	(98,849)	(43,434)
Adjustments for tax (income) expenses	26	37,189	62,945
Adjustments for losses (gains) on disposal of non-current assets		*(13,765)*	*(9,551)*
Adjustments for losses (gains) on disposal of property and equipment	24	(13,765)	(9,551)
Adjustments for losses (gains) from sale or changes in share of associates joint ventures and financial investments		-	(25,939)
Changes in working capital		**(355,819)**	**(912,086)**
Adjustments for decrease (increase) in trade receivables		*(109,946)*	*(359,640)*
Decrease (increase) in due from related parties		(30,394)	(212,292)
Decrease (increase) in due from third parties		(79,552)	(147,348)
Adjustments for decrease (increase) in inventories		(437,680)	(644,920)
Adjustments for increase (decrease) in trade payables		*261,130*	*152,093*
Increase (decrease) in due to related parties		15,622	5,773
Increase (decrease) in due to third parties		245,508	146,320
Increase (decrease) in deferred income		15,635	6,304
Adjustments for other increase (decrease) in working capital		(84,958)	(65,923)
Cash flows from operations		**230,634**	**(348,302)**
Interest received		428	1,718
Payments related with provisions for employee benefits		(3,286)	(2,620)
Payments related with other provisions	15.1	(81,105)	(75,550)
Income taxes refund (paid)		(24,654)	(64,122)
Other cash inflows (outflows)	8	52	-
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(114,284)**	**(21,430)**
Cash inflows by sale of shares or capital decrease of associates and/or joint ventures		-	91,304
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	11	(1,380)	(2,645)
Cash inflow by proceeds from sales of property and equipment and intangible assets		*68,589*	*34,088*
Cash inflow by proceeds from sales of property and equipment		68,589	34,088
Cash outflow by acquisition of property and equipment and intangible assets		*(226,170)*	*(184,938)*
Cash outflow by acquisition of property and equipment		(206,334)	(168,980)
Cash outflow by acquisition of intangible assets	13	(19,836)	(15,958)
Dividends received		44,677	40,761

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

	Notes	Audited 2016	Audited 2015
C. CASH FLOWS FROM FINANCING ACTIVITIES		**17,308**	**553,867**
Payments to acquire entity's shares or other equity instruments	19	(220,274)	-
Proceeds from issuance of borrowings		2,327,248	1,841,085
Repayments of borrowings		(1,563,539)	(980,103)
Dividends paid	19	(300,000)	(150,000)
Interest paid		(224,078)	(155,484)
Other cash inflows (outflows)		(2,049)	(1,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**25,093**	**43,561**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(7,865)**	**(12,312)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**17,228**	**31,249**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**71,870**	**40,621**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**89,098**	**71,870**

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Doğuş Otomotiv Servis ve Ticaret A.Ş. ("Doğuş Otomotiv" or the "Company") was established on 24 November 1999 as a distributor of Volkswagen AG, and its activities include importing, marketing and selling automobiles and spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti and Scania), Scania Engines industrial and marine engine and, Thermoking climate control systems. The Company also operates in second car market across Turkey throughout its dealer network under the brand name "DOD".

The shares of the Company have been publicly traded on Borsa İstanbul A.Ş. since 17 June 2004.

The Company's subsidiaries as at 31 December 2016 are as follows:

- Doğuş Oto Pazarlama ve Ticaret A.Ş. ("Doğuş Oto Pazarlama"): Automobile dealer for group brands distributed by Doğuş Otomotiv and Yüce Auto Motorlu Araçlar Ticaret A.Ş.

- Doğuş Auto Misr for Trading and Manufacturing Vehicles Joint Stock Company ("Doğuş Auto Mısır JS") has been founded to execute distribution and after sales services of commercial vehicles of Volkswagen brand (*).

- Doğuş Automotive Limited Liability Company ("Doğuş Auto Mısır LLC") has been founded as the authorized dealer for brands distributed by Doğuş Auto Mısır JS (*).

- D-Auto Suisse SA ("Doğuş Auto Swiss") has been founded in Lausanne, Switzerland as authorized dealer and service provider for Porsche and Bentley. Doğuş Auto Swiss has been established at 16 July 2007, and started its vehicle sales and after sales services operations on 10 March 2009.

- D-Auto Limited Liability Company ("Doğuş Auto Iraq") has been founded in Iraq Erbil on 6 August 2013 to execute distribution services of Volkswagen and Audi brands.

(*) It has been decided for cessation of activities and liquidation of these subsidiaries, but the process of liquidation is still ongoing.

The Company and its subsidiaries (together referred to as the "Group") operate in a single business segment.

The Company and Doğuş Oto Pazarlama are registered and operate in Turkey at the following address:

Maslak Mah. Ahi Evran Cad. No.4 İç Kapı No. 13

Sarıyer, İstanbul,Türkiye.

Doğuş Auto Mısır JS and Doğuş Auto Mısır LLC are registered in Egypt and located in the address below:

3/4 Anwar El - mofty St. Abbas El akkad St. Nasr City
Cairo, Egypt.

Doğuş Auto Swiss is registered in Switzerland and located at the address below:

Avenue Gabriel-de-Rumine 37, c/o Lausanne.

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS (Continued)

Doğuş Auto Iraq is registered in Iraq and located at the address below:

Doktorlar Cad. Şirin Palas Otel Karşısı, Erbil/Iraq.

The average number of blue-collar employees of the Group for the year ended 31 December 2016 is 906 (31 December 2015: 844) whereas the average number of white-collar employees of the Group for the year ended 31 December 2016 is 1,802 (31 December 2015: 1,650).

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements

(i) Statement of Compliance to TAS

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”), appendixes and interpretations. Additionally, the accompanying consolidated financial statements are presented in accordance with TAS taxonomy issued by POA on 2 June 2016 with the decision number 30.

(ii) Preparation and approval of financial statements

The consolidated financial statements of the Group as at 31 December 2016 have been approved by the Board of Directors on 28 February 2017. The legal authorities of the General Assembly of the Company have the right to modify the issued financial statements.

(iii) Correction on financial statements during hyperinflationary periods

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” issued by TASB is no longer required for companies operating in Turkey and accordingly effective from 1 January 2005, TAS 29 has not been applied in preparing the Group’s consolidated financial statements in accordance with CMB Financial Reporting Standards.

(iv) Basis of measurement

The consolidated financial statements have been prepared based on the historical cost, except for the available-for-sale financial assets which are measured at fair value.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation of Financial Statements (continued)

(v) Functional and Presentation Currency

Items included in the financial statements of subsidiaries, joint ventures and associates are presented in the functional currencies in their primary economic environments in which they maintain their operations. The consolidated financial statements are presented in TL, which is Doğuş Otomotiv's functional and presentation currency.

The Company and its affiliates registered in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Commercial Code, tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The affiliates in Egypt maintain their books of account and prepare their statutory financial statements in Egypt Pound ("EGP") in accordance with the laws and regulations in force in Egypt; the affiliate in Switzerland maintains its books of account and prepares its statutory financial statements in Swiss Franc ("CHF") in accordance with the laws and regulations in force in Switzerland and the affiliate in Iraq maintains its books of account and prepares its statutory financial statements in Iraqi Dinar ("IQD") in accordance with the laws and regulations in force in Iraq.

(vi) Standards and interpretations issued but not yet effective

Standards issued by 31 December 2016 but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 – "*Financial Instruments – Classification and measurement*"

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities.

The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation of Financial Statements (continued)

(vi) Standards and interpretations issued but not yet effective (continued)

Standards issued by 31 December 2016 but not yet effective and not early adopted (continued)

Standards issued but not yet effective and not early adopted (continued)

TFRS 15 Revenue from Contracts with Customers

The standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

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

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation of Financial Statements (continued)

(vi) Standards and interpretations issued but not yet effective (continued)

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

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 16 Leases

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation of Financial Statements (continued)

(vi) Standards and interpretations issued but not yet effective (continued)

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

Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

Amendments to IAS 12 *Income Taxes*– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

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

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.1 Basis of Presentation of Financial Statements (continued)

(vi) Standards and interpretations issued but not yet effective (continued)

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

IAS 40 – Transfers of Investment Property

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

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 12.

IAS 28 "Investments in Associates and Joint Ventures"

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

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If necessary, adjustments regarding accounting policies are made on subsidiaries financial statements in order to equalize accounting policies applied by the Group.

For each business combination, the Group elects to measure any non-controlling interests in the acquire either:

- At fair value; or
- At their proportionate share of the acquiree’s identifiable net assets, which are generally at fair value.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation (Continued)

(ii) Subsidiaries (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

Losses of subsidiaries belongs to non-controlling interest shall be attribute to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The table below sets out all the subsidiaries included in the scope of consolidation and shows the Group's share of control as at 31 December:

	31 December 2016	31 December 2015
Doğuş Oto Pazarlama	96.20%	96.20%
Doğuş Auto Mısır JS (*)	99.97%	99.97%
Doğuş Auto Mısır LLC (*)	98.97%	98.97%
Doğuş Auto Swiss	99.95%	99.95%
D-Auto Limited Liability Company	100.00%	100.00%

(*) It has been decided for cessation of activities and liquidation of these subsidiaries, but the process of liquidation is still ongoing.

(iii) Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

● Joint operation – When the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

● Joint venture – When the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation (Continued)

(iii) Joint Arrangements (Continued)

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint ventures are recognized as investments measured through equity method. The table below sets out all joint ventures and the Group's share of control as at 31 December.

	31 December 2016	**31 December 2015**
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Kuzey")	33.33%	33.33%
TÜVTURK Güney Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Güney")	33.33%	33.33%
Meiller Doğuş Damper Sanayi ve Ticaret Ltd. Şti. ("Meiller-Doğuş") (*)	49.00%	49.00%

(*) Production and management buildings of Meiller Doğuş have been sold together with the existing fixtures and the distributor agreement between the Group and F. X. Meiller Fahrzeug- und Maschinenfabrik- GmbH & Co KG has been terminated as of 31 December 2016.

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but does not have control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation (Continued)

(iv) Associates (Continued)

The table below sets out all the associates included in the scope of consolidation and shows the Group's share of control as at 31 December:

	31 December 2016	31 December 2015
Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto") (*)	50.00%	50.00%
Doğuş Sigorta Aracılık Hizmetleri A.Ş. ("Doğuş Sigorta")	42.00%	42.00%
Volkswagen Doğuş Finansman A.Ş. ("VDF")	48.00%	48.00%
VDF Servis ve Ticaret A.Ş. ("VDF Servis")	38.22%	38.22%
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. ("Doğuş Teknoloji")	46.00%	46.00%

(*) Even though the Group has 50% interest in Yüce Auto (Distributor of Skoda), the Group only exercises a significant influence rather than control on the operations of Yüce Auto.

(v) Transactions Eliminated in Consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The carrying amount of Doğuş Otomotiv's investment in each subsidiary and dividend income from these subsidiaries are eliminated from the related equity and profit or loss statement accounts.

2.3 Offsetting

Financial assets and financial liabilities should be offset and are reported net only when the entity has a legally enforceable right to offset, and it intends to settle the asset and the liability either simultaneously or on a net basis.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.4 Comparative Information

The Group has prepared the consolidated statement of financial position as at 31 December 2016 comparatively with the consolidated statement of financial position as at 31 December 2015, and the consolidated profit or loss statement, the consolidated statement of other comprehensive income, the consolidated statements of cash flows and changes in equity for the year ended 31 December 2016 comparative to the year ended 31 December 2015.

Reclassifications regarding the financial statements as of 31 December 2015;

- Income accruals amounting to TL 8,315 thousand have been reclassified from trade receivable due from related parties to other receivables due from third parties.
- Deferred income amounting to TL 215 thousand has been reclassified from other non-current liabilities to non-current deferred income.
- Rent expense, previously presented in marketing expense amounting to TL 9,194 thousand has been presented as general administrative expense.
- Gain on sale of property, plant and equipment, previously presented in other income from operating activities amounting to TL 9,551 thousand has been reclassified to investment activity income.

During the preparation of the consolidated statements of cash flows, reclassifications which are explained above were taken into consideration.

2.5 Accounting Estimates

The preparation of the consolidated financial statements requires to make judgments estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ the estimations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is stated in the following:

Group's tangible and intangible assets are depreciated and amortized in accordance with useful economic lives which is specified in Note 2.6 (Note 12 and 13).

The fair value of the available-for-sale financial assets that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flow analysis (Note 6).

The Group assesses whether there is any impairment indicator in investment properties and compares carrying values of the investment property with the fair value determined in the valuation report obtained by a property appraiser company licensed by CMB (Note 14).

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.5 Accounting Estimates (Continued)

The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 10).

To calculate the provisions for legal claims, the probability of losing the case and the liabilities that would arise if the case is lost is evaluated by the Group's Legal Counselor and by the Group management team taking into account the expert opinions. The management determines the amount of the provisions based on the best estimates (Note 15.1).

The warranties on automobiles sold by the Group are issued by the original equipment manufacturers ("OEM"). The Group acts as an intermediary between the customers and the OEM. The claims of customers from the Group are recognized as warranty expense. The Group recognizes the amount claimed from the OEM's as warranty income and offset against warranty expense. The Group incurs the cost that is not paid by the manufactures. Accordingly, the Group recognizes the estimated liability for the difference between possible warranty claims of customers and possible warranty claims from the manufacturers based on historical service statistics (Note 15.1).

Deferred tax asset is recognized to the extent that taxable profit will be available against which the deductable temporary differences can be utilized. When taxable profit is probable, deferred tax assets is recognized for all temporary differences. For the year ended 31 December 2016, since the assumptions related to the Company's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 26).

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee Benefits (Note 16).

2.6 Significant Accounting Policies

Revenue recognition

Revenue from the sales of cars, spare parts and services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized on an accrual basis when persuasive evidence exists that goods are delivered and services are rendered, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable; there is no continuing management involvement with the goods; and the amount of revenue can be measured reliably. Significant risks and rewards are transferred to the buyer when the goods or ownership of goods passed to the buyer.

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 nominal value and fair value of sales amount recognized at other income from operating activities.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories comprise all costs of purchase and the other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on actual costing basis for trade goods, moving weighted average basis for spare parts and other inventories. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Building and land costs are recorded separately even if they are acquired together. Land is not depreciated.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within “Other Income from Operating Activities” or “Other Expense from Operating Activities” in profit or loss.

Subsequent expenditures

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

The estimated useful lives of property and equipment for the current and comparative years are as follows:

Buildings	25-50 years
Land improvements	4-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	3-15 years
Motor vehicles	4-5 years

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of setup on a straight line basis. Useful lives of property and equipment are reviewed at each reporting date and necessary adjustments are applied if necessary.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Intangible assets

Intangible assets are consisted of rights and software programs. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss incurred.

Amortization

The estimated useful lives of intangible assets for the current and comparative years are as follows:

Rights	15 years
Software programs	3-5 years

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The useful lives are reviewed at each reporting date and necessary adjustments are applied if necessary.

Investment properties

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost plus all direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group, recognizes its investment properties from their carrying amount.

Investment properties are transferred from/to property, plant and equipment when their utilization purpose is changed. When investment properties are disposed, the difference between sales revenue and the carrying amount is charged to the consolidated income statement.

Depreciation is charged to investment properties excluding land, over their estimated useful lives, using the straight-line method. The useful lives of building that are owned by the Group is 50 years.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Assets classified as held-for-sale

In compliance with TAS 31 "Shares in Joint Ventures" and TFRS 5 "Assets Classified as Held For Sale and Discontinuing Operations", the interests in equity accounted investee which are classified as assets held for sale are accounted for in accordance with TFRS 5. Assets classified as held for sale is accounted for at the lower of its carrying amount (being the net amount of the assets and liabilities directly associated with them) and fair value less costs to sell.

Borrowing costs

In accordance with TAS 23 "Borrowing Costs (Revised)", the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized by the Group as part of the cost of that asset, until the activities to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognized in profit or loss within related period by using effective interest rate method expressed in TAS 39 "Financial Instruments: Recognition and Measurement".

Financial instruments

i) Non-derivative financial assets

The Group initially recognizes loans and receivables and bank deposits on the date that they are originated. All other financial assets (including available-for-sale financial assets) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a trading transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories: Loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Financial instruments (Continued)

i) Non-derivative financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in "Gain (losses) on remeasuring and/or reclassification of available for sale financial assets" in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise shares of Doğuş Holding A.Ş. ("Doğuş Holding").

ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into financial, and other liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise financial liabilities and trade payables.

iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Financial instruments (Continued)

iv) Derivative financial instruments and hedge accounting (Continued)

On initial designation of the derivative as the hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%. For cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Financial instruments (Continued)

iv) Derivative financial instruments and hedge accounting (Continued)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade receivables and provision for doubtful receivables

Trade receivables that are created by the way of providing goods or services by the Group directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Impairment (Continued)

Trade receivables and provision for doubtful receivables (Continued)

A credit risk provision for the trade receivables is recognized if there is objective evidence for the inability to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount of the receivable. The recoverable amount is 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.

If the amount of the impairment subsequently decreases due to an event after the write-down, the release of the provision is credited to other income from operating activities.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in “Gain (losses) on revaluation and reclassification” in equity, to profit or loss and related to these instruments, impairment loss recognized previously in profit or loss cannot be cancelled through profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit (“CGU”) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. An impairment loss is recognized and carrying amount is reduced to recoverable amount if an asset’s or CGU’s carrying amount exceeds its recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Assets and liabilities of those Group entities with a different functional currency than the reporting currency of the Group are translated into the reporting currency of the Group at the rate of exchange ruling at the reporting date. The income and expenses of the Group entities are translated into the reporting currency at the average exchange rates for the period. These foreign currency differences are recognized in other comprehensive income, and presented in translation reserve in equity.

Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned. Parent company shares owned by the Group are not taken into consideration in the calculation of earnings per share.

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. 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.

Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation because 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. Unless related criteria occur, the Group discloses the related issue in disclosures. Contingent assets are not recognized and solely disclosed until they are realized.

Change and errors in the accounting policies and estimates

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

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Leases

(i) Financial lease

Leases of property and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Financial leases are included in the property and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments are charged by deducting accumulated depreciation and permanent impairment. Payables arising from financial leases are decreased when the principals are paid as well as the interest payments are recognized in profit or loss statement.

(ii) Operational lease

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

(iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. The following two criteria must be met for a “lease”:

- the fulfillment of the arrangement is dependent on the use of a specific asset or asset(s); and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other considerations required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group’s incremental borrowing rate.

Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Related parties (Continued)

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

A number of transactions are entered into with related parties in the normal course of business.

Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Board of Directors is determined as the chief operating decision maker of the Group.

Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Effective tax rates are used for deferred tax calculation.

Most of temporary differences are derived from the timing differences in recognition of income and expenses between the consolidated financial statements that are prepared in accordance with the principals mentioned in Note 2 and statutory records.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Taxes on income (continued)

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

When the deferred tax assets and deferred tax liabilities levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Transfer pricing regulations

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007. Veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

Tax exposure

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The provisions concerning to the "thin capitalization" are stated in the Article 12 of new corporate tax law. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalization provided with;

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders,
- Used for/in the entity,
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year.

Employee benefits / Provision for employee termination benefits

In accordance with existing labor law in Turkey, the Group is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire. Employee benefits are the estimation of the present value of future probable obligation of the Group arising from the retirement of the employees. It is computed and recognized in the financial statements considering the retirement pay cap and actuarial information

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.6 Significant Accounting Policies (Continued)

Cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments).

Cash flows arising from financial activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Repurchase and resale transactions

Securities purchased under agreements to resell ("reverse repurchase agreements") are classified under cash and cash equivalents in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement.

Treasury Shares

Treasury shares is recognized under the equity in accordance with the Communique on Buy Backed Shares (II-22.1) announced by CMB and accounted as "Treasury shares" under the equity. Additionally, the Group classifies "Treasury share reserve" in the amount of the value of the reacquired shares under "Restricted reserves appropriated from profits" in accordance with the relevant communique.

Dividends

Dividend income is recognized by the Group at the date right to collect the dividend is realized. Dividend payables are recognized after the profit distribution approval in the General Assembly.

Subsequent events

Subsequent events comprised of events that occur between the reporting date and authorization for publication date both in favor of and against the Company. Subsequent events are divided in two:

- as of reporting date there are new evidences that related events exist, and
- evidence that the related events occurred after the reporting date (events that do not require correction subsequently).

As at reporting date, there is new evidence that related events exist or related events occurred subsequently and these events requires correction on consolidated financial statements, the Group corrects its consolidated financial statements in accordance with the new situation. If these subsequent events do not require consolidated financial statements to be corrected, the Group disclosures that issues in the footnotes.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 3 – JOINT VENTURES

The Group accounts for its interests in joint ventures indicated in Note 2.2 through equity method. Therefore, financial information regarding to aforementioned joint ventures are presented in Note 11 "Investments in Equity Accounted Investees".

NOTE 4 – OPERATING SEGMENTS

Operating segments has been determined based on the reports reviewed by the steering committee that make strategic decisions.

Group management believes that risk and rewards of the Group is strictly related with the changes in automotive sector and determined the Group's primary segments according to product types. Group's operating activities include importing, marketing and selling passenger and commercial vehicles, spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti, Scania, Scania Engines industrial and marine engine and Thermoking climate control systems and used car operations in Turkey through its dealer network under the brand name "DOD". Group's operating segments are identified based on the product groups. Considering the nature of the products, operating segments are identified as passenger vehicles commercial vehicles and other segments. Other segments comprise used cars, spare parts and central office functions.

Segment assets and liabilities are not reported since the management reports do not include such information.

Accounting policies for certain types of transactions differ for management reporting from those used in preparation of the consolidated financial statements.

Warranty expenses and provision for legal matters have been included in the operating results when they are realized. Provisions for employee termination benefits expenses represent the undiscounted estimated future obligation of the Group arising from the retirement of the employees. Inventories are carried at cost. Depreciation and amortization which are not computed on a pro-rata basis are recognized in profit or loss on a straight-line method over the estimated useful lives of tangible and intangible assets.

Segment information presented to the Group management for the years ended 31 December is as follows:

2016	**Passenger segment**	**Commercial segment**	**Other segments**	**Total**
Revenue from external customers	8,483,278	2,345,405	1,096,493	11,925,176
Cost of sales	(7,849,588)	(2,139,219)	(782,652)	(10,771,459)
Gross profit	**633,690**	**206,186**	**313,841**	**1,153,717**
General administration expenses	(145,497)	(30,704)	(245,142)	(421,343)
Marketing expenses	(225,394)	(85,514)	(96,438)	(407,346)
Other income from operating activities, net	78,180	9,984	(4,819)	83,345
Operating income	**340,979**	**99,952**	**(32,558)**	**408,373**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 4 – OPERATING SEGMENTS (Continued)

2015	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	7,429,601	2,511,015	948,545	10,889,161
Cost of sales	(6,836,503)	(2,277,474)	(666,564)	(9,780,541)
Gross profit	**593,098**	**233,541**	**281,981**	**1,108,620**
General administration expenses	(109,861)	(25,073)	(172,257)	(307,191)
Marketing expenses	(216,995)	(88,648)	(64,978)	(370,621)
Other income from operating activities, net	5,248	650	5,879	11,777
Operating income	**271,490**	**120,470**	**50,625**	**442,585**

The Group management assesses the performance of the operating segments based on the measure of operating income. The measurement basis excludes the effects of non-recurring expenses (i.e. restructuring expenses and one-offs) from the operating income. The measurement basis also excludes the share of profit of equity accounted investees. Finance income and costs are not allocated to segments, as this type of activity is driven by the central finance function of the Group.

The reconciliation of operating income to profit before tax is as follows:

	2016	2015
Operating profit for reportable segments	408,373	442,585
Provision for legal exposures	(3,794)	469
Provision for employee termination benefits	8,296	3,636
Provision for unused vacation	(973)	(617)
Provision for diminution in value of inventories	(841)	(57)
Warranty provision expense	(8,229)	(2,076)
Depreciation and amortization	23,124	2,628
Share of profit of equity accounted investees	98,849	43,434
Income from investment activities, net	23,024	46,875
Finance expense, net	(272,697)	(171,488)
Other	-	-
Profit before tax	**275,132**	**365,389**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 5 – CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents comprise the following:

	2016	2015
Cash on hand	662	185
Cash at banks	88,436	71,685
- Demand deposits	33,080	25,833
- Time deposits/reverse repo	19,000	12,416
- Credit card receivables	36,356	33,436
Total	**89,098**	**71,870**

As at 31 December 2016, average effective interest rate on TL denominated time deposits is 6.75% (31 December 2015: average effective interest rate 8.73%). As at 31 December 2016, maturity of time deposits is a day (31 December 2015: between 4-5 days).

There is no blocked deposit as at 31 December 2016 and 2015.

Foreign currency risk exposure of cash and cash equivalents are presented under Note 29.

Credit card receivables' due date is less than three months.

NOTE 6 – FINANCIAL INVESTMENTS

As at 31 December, available-for-sale financial assets comprise of the following:

	2016		2015	
	Ownership interest (%)	**Carrying amount**	**Ownership interest (%)**	**Carrying amount**
Doğuş Holding A.Ş. ("Doğuş Holding")	3.75	550,350	3.75	511,815
		550,350		**511,815**

Since Doğuş Holding is not publicly traded, fair value of Doğuş Holding is determined by using current market information's for publicly traded companies under Doğuş Holding governance. Fair value of Doğuş Holding is also determined by using other valuation methods such as nominal values, net carrying amount, acquisition price and discounted cash flows for non-public companies under Doğuş Holding governance. Discount rate is applied on net asset value of Doğuş Holding by taking discount rates into consideration which is applicable for valuation of publicly traded holding companies. The movements in available-for-sale financial assets within the period are as follows:

	2016	2015
Balance at 1 January	511,815	531,181
Change in fair value of available-for-sale financial assets	38,535	(19,366)
Balance at 31 December	**550,350**	**511,815**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 7 – BORROWINGS

As at 31 December, financial liabilities comprise the following:

	2016		2015	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Short-term bank borrowings:				
TL denominated interest bearing borrowings	10.30%-14.55%	2,367,254	10.25% - 13.85%	1,592,545
TL denominated non-interest bearing borrowings (*)	-	40,070	-	12,357
CHF denominated borrowings	2.00%-2.20%	38,760	2.00%-3.25%	14,679
Short-term bank liabilities:		**2,446,084**		**1,619,581**
Short-term portion of long-term borrowings:				
CHF denominated finance lease liabilities		-	4.50%	17
CHF denominated borrowings	3.43%–4.30%	2,124	3.43% - 4.30%	1,742
TL denominated borrowings	TRLIBOR+1.75%	6,864	TRLIBOR+1.75%	9,392
TL denominated borrowings	11.20% - 11.85%	270,448	11.76%- 12.44%	6,343
USD denominated borrowings	LIBOR+1.95%	4,743	LIBOR+1.95%	7,841
Short-term portion of long-term liabilities:		**284,179**		**25,335**

	2016		2015	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Long-term bank borrowings:				
TL denominated borrowings	TRLIBOR+1.75%	3,333	TRLIBOR+1.75%	10,000
CHF denominated borrowings	3.43%–4.30%	24,839	3.43% – 4.30%	22,301
TL denominated borrowings	-	-	11.76% - 12.44%	260,000
USD denominated borrowings	-	-	LIBOR+1.95%	3,907
Total long-term financial liabilities		**28,172**		**296,208**

(*) As at 31 December 2016, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 40,070 thousand, which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2015: TL 12,357 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 7 – BORROWINGS (Continued)

As at 31 December 2016, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

Payment period	Original amount (TL thousand)	Original amount (USD thousand)	Original amount (CHF thousand)	TL equivalent
2017	277,312	1,348	616	284,179
2018	3,333	-	4,428	18,590
2019 and onwards	-	-	2,781	9,582
Total	**280,645**	**1,348**	**7,825**	**312,351**

As at 31 December 2015, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

Payment period	Original amount (TL thousand)	Original amount (USD thousand)	Original amount (CHF thousand)	TL equivalent
2016	15,735	2,697	595	25,318
2017	266,667	1,343	4,830	284,714
2018 and onwards	3,333	-	2,787	11,494
Total	**285,735**	**4,040**	**8,212**	**321,526**

Foreign currency, interest and liquidity risk exposure of financial liabilities are presented under Note 29.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

8.1 Trade Receivables

As at 31 December, trade receivables due from third parties are consisted of the following:

	2016	2015
Trade receivables	415,907	328,144
Allowance for doubtful receivables (-)	(1,492)	(1,496)
Total	**414,415**	**326,648**

As at 31 December 2016, the Group charges 4% monthly interest to the dealers regarding overdue receivables (31 December 2015: 4%).

The movement of individually impaired receivables is as follows:

	2016	2015
Balance as at 1 January	1,496	1,364
Additions	628	282
Provisions released (-)	(580)	(150)
Recoveries during the year	(52)	-
Balance at 31 December	**1,492**	**1,496**

Guarantees received for trade receivables due from third parties

Significant portion of the other trade receivables due from third parties is comprised of receivables from the dealers. The Group's management established an effective control system over the dealers and monitors the credit risk of the dealers arising from the transactions. The Group requests letters of guarantee for vehicle and spare parts sales from authorized dealers. TL 116,230 thousand of trade receivables due from third parties are covered via letters of guarantee (31 December 2015: TL 69,408 thousand).

As at 31 December 2016, overdue trade receivables due from third parties that are not impaired amount to TL 54 thousand (31 December 2015: TL 1,211 thousand). None of such overdue receivables are covered via guarantee letters (31 December 2015: TL 1,211 thousand).

As at 31 December 2016, trade receivables which has not been billed yet is amounting to TL 85,176 thousand (31 December 2015: TL 33,273 thousand).

As at 31 December 2016, the Group's average maturity of trade receivables due from third parties is 37 days (31 December 2015: 41 days).

Foreign currency and credit risk exposure of trade receivables are presented under Note 29.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

8.2 Trade Payables

As at 31 December, trade payables to third parties consist of the following:

	2016	**2015**
Payables to OEM companies	564,990	326,603
Payables to dealers (*)	107,439	84,767
Other trade payables	57,634	65,884
Other expense accrual	1,425	8,592
Total	**731,488**	**485,846**

OEM's provide a credit option to the Group up to 1 year, which is free from interest for 10 days. The OEM's charge the Group an interest of 1% per annum for trade payables not settled within 10 days (31 December 2015: 1.23% per annum).

(*) Group's payables to dealers consisted of bonus payables paid on periodical basis.

Other trade payables include Group's payables to service and material suppliers.

Foreign currency and liquidity risk exposure of trade payables are presented under Note 29.

NOTE 9 – OTHER RECEIVABLES

As at 31 December, other receivables comprise of the following:

	2016	**2015**
Warranty claims and price difference receivables (*)	78,338	35,901
Receivables due to insurance claims	8,971	9,927
Other	8,431	4,564
Total	**95,740**	**50,392**

(*) Warranty claims comprise the amounts to be paid by the suppliers in regards to the portion of warranty expenses of the vehicles imported by the Group, OEM's are responsible for. As at 31 December 2016, other receivables which has not been billed yet is amounting to TL 4,551 thousand (31 December 2015: TL 8,315 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 10 – INVENTORIES

As at 31 December, inventories comprise of the following:

	2016	**2015**
Goods in transit (*)	675,030	562,047
Merchandise stocks – vehicles	835,634	518,680
Merchandise stocks – spare parts	145,046	137,304
	1,655,710	**1,218,031**
Provision for diminution in the value of inventories (-)	(4,750)	(3,909)
Total	**1,650,960**	**1,214,122**

(*) Goods in transit comprise of vehicles and spare parts, custom transactions of which have not been completed yet, but risks and rewards of which have been transferred to the Group.

The cost of inventories recognized as expense and included in cost of sales amounted to TL 10,679,455 thousand for the year ended 31 December 2016 (31 December 2015: TL 9,692,876 thousand).

The Group has provided provision for damaged and slow-moving items in inventories. The current year stock provision is included in "cost of sales". The movement of provision for diminution in the carrying value of inventories is provided below:

	2016	**2015**
Balance at 1 January	3,909	3,852
Additions in the current period	841	57
Balance at 31 December	**4,750**	**3,909**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December, investment in associates, joint ventures and the Group's share of control are as follows:

	2016		2015	
	Ownership %	Carrying amount	Ownership %	Carrying amount
Associates				
VDF	48	125,950	48	85,281
Doğuş Sigorta	42	35,273	42	32,709
Yüce Auto	50	21,919	50	17,298
VDF Servis	38.22	47,546	38.22	32,852
Doğuş Teknoloji	46	6,179	46	4,523
Total		**236,867**		**172,663**
Joint ventures				
TÜVTURK Kuzey – Güney	33.33	60,265	33.33	60,354
Meiller-Doğuş (*)	49	8,854	49	5,993
Total		**69,119**		**66,347**
Grand total		**305,986**		**239,010**

(*) Production and management buildings of Meiller Doğuş have been sold together with the existing fixtures and the distributor agreement between the Group and F. X. Meiller Fahrzeug- und Maschinenfabrik- GmbH & Co KG has been terminated as of 31 December 2016.

The movements in investments in associates and joint ventures during the periods are as follows:

	2016	2015
Balance at 1 January	239,010	251,701
Shares in profits of associates and joint ventures, net	98,849	43,434
Hedge reserve of joint ventures - reclassified to profit or loss	-	(8,414)
Change in fair value of available-for-sale financial assets held by associates	2,279	(1,162)
Dividend income from associates	(35,418)	(29,376)
Participation in capital increase of associates and joint ventures	1,380	2,645
Deferred tax effect in relation to change in fair value of available-for-sale financial assets held by associates	(114)	58
Transfers to non-current assets held-for-sale	-	(19,876)
Balance at 31 December	**305,986**	**239,010**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 December, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	2016								
	Current assets	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Income**	**Expenses (-)**	**Net profit/(loss)**
Investment in associates	8,770,868	242,663	9,013,531	8,476,145	9,325	8,485,470	2,479,391	(2,337,507)	141,884
Joint ventures	229,989	803,460	1,033,449	231,998	613,819	845,817	1,542,956	(1,436,498)	106,458

	2015								
	Current assets	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Income**	**Expenses (-)**	**Net profit/(loss)**
Investment in associates	6,967,523	220,491	7,188,014	6,796,886	5,190	6,802,076	1,677,737	(1,644,412)	33,325
Joint ventures	233,283	860,217	1,093,500	230,133	688,654	918,787	1,508,287	(1,424,697)	83,590

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 December, cash and cash equivalents, current and non-current financial liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	2016					
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortization and depreciation expenses**	**Interest income**	**Interest expense**
Investment in associates	1,127,215	8,075,741	3,342	(26,157)	15,902	(9,889)
Joint ventures	128,649	62,188	90,296	(12,127)	14,515	(20,885)

	2015					
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortization and depreciation expenses**	**Interest income**	**Interest expense**
Investment in associates	874,280	6,479,986	-	(14,200)	8,158	(5,003)
Joint ventures	154,553	69,374	135,366	(17,561)	41,204	(34,937)

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the year ended 31 December 2016 are as follows:

	1 January 2016	Additions	Disposals	Transfers	Foreign currency translation difference	31 December 2016
Cost:						
Land	189,552	1,732	-	9,840	1,076	202,200
Land improvements	18,791	469	(3,770)	1,461	-	16,951
Buildings	238,904	4,009	-	103,474	9,544	355,931
Machinery and equipments	48,288	18,961	(882)	119	1,973	68,459
Motor vehicles	124,904	103,352	(73,349)	-	2,385	157,292
Furniture and fixtures	46,346	12,600	(792)	5,488	200	63,842
Leasehold improvements	70,785	1,063	(2,815)	18,770	2,964	90,767
Constructions in progress	88,519	66,014	-	(139,152)	12	15,393
	826,089	**208,200**	**(81,608)**	**-**	**18,154**	**970,835**
Accumulated depreciation:						
Land improvements	(11,196)	(535)	126	-	-	(11,605)
Buildings	(35,546)	(5,580)	-	-	(1,322)	(42,448)
Machinery and equipments	(28,239)	(5,021)	802	-	(1,360)	(33,818)
Motor vehicles	(29,310)	(27,974)	22,366	-	(404)	(35,322)
Furniture and fixtures	(26,378)	(6,625)	757	-	(109)	(32,355)
Leasehold improvements	(31,377)	(5,205)	2,733	-	(473)	(34,322)
	(162,046)	**(50,940)**	**26,784**	**-**	**(3,668)**	**(189,870)**
Carrying amount	**664,043**					**780,965**

Total depreciation expense amounting to TL 50,940 thousand has been allocated to general administrative expenses in the consolidated profit or loss statement for the year ended 31 December 2016 (31 December 2015: TL 37,861 thousand).

As at 31 December 2016 there is a lien on land owned by the Group amounting to TL 70,000 thousand and on buildings amounting to USD 21,500 thousand equivalent to TL 75,663 thousand (31 December 2015: TL 70,000 thousand and USD 21,500 thousand equivalent to TL 62,513 thousand).

As at 31 December 2016, borrowing cost amounting to TL 29,828 thousand is capitalized on property, plant and equipments (31 December 2015: TL 28,096 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property, plant and equipment and related accumulated depreciation for the year ended 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	Transfers	Foreign currency translation difference	31 December 2015
Cost:						
Land	187,909	433	-	-	1,210	189,552
Land improvements	14,933	88	-	3,770	-	18,791
Buildings	228,001	138	-	551	10,214	238,904
Machinery and equipments	40,401	4,675	(194)	1,644	1,762	48,288
Motor vehicles	77,352	83,575	(38,329)	-	2,306	124,904
Furniture and fixtures	39,038	6,166	(525)	1,479	188	46,346
Leasehold improvements	57,814	1,107	-	9,143	2,721	70,785
Constructions in progress	32,863	72,798	(555)	(16,587)	-	88,519
	678,311	**168,980**	**(39,603)**	**-**	**18,401**	**826,089**
Accumulated depreciation:						
Land improvements	(10,596)	(600)	-	-	-	(11,196)
Buildings	(29,518)	(4,919)	-	-	(1,109)	(35,546)
Machinery and equipments	(23,401)	(3,653)	152	-	(1,337)	(28,239)
Motor vehicles	(23,738)	(19,763)	14,462	-	(271)	(29,310)
Furniture and fixtures	(22,039)	(4,766)	452	-	(25)	(26,378)
Leasehold improvements	(27,048)	(4,160)	-	-	(169)	(31,377)
	(136,340)	**(37,861)**	**15,066**	**-**	**(2,911)**	**(162,046)**
Carrying amount	**541,971**					**664,043**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 13 – INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the year ended 31 December 2016 are as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Rights and software	65,949	19,836	-	85,785
	65,949	**19,836**	**-**	**85,785**
Accumulated amortization:				
Rights and software	(45,101)	(14,458)	-	(59,559)
	(45,101)	**(14,458)**	**-**	**(59,559)**
Carrying amount	**20,848**			**26,226**

Total amortization expense amounting to TL 14,458 thousand (31 December 2015: TL 11,309 thousand) for the year ended 31 December 2016 has been allocated to general administrative expenses in consolidated profit or loss statement.

The movements in intangible assets and related accumulated amortization during the year ended 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Rights and software	49,991	15,958	-	65,949
	49,991	**15,958**	**-**	**65,949**
Accumulated amortization:				
Rights and software	(33,792)	(11,309)	-	(45,101)
	(33,792)	**(11,309)**	**-**	**(45,101)**
Carrying amount	**16,199**			**20,848**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 14 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the year ended 31 December 2016 and 2015 are as follows:

	1 January – 31 December 2016	**1 January – 31 December 2015**
Cost:		
1 January	20,670	20,670
Additions from property and equipment	-	-
31 December	**20,670**	**20,670**
Accumulated depreciation		
1 January	(448)	(34)
Depreciation for the period	(413)	(414)
31 December	**(861)**	**(448)**
Net book value as of 1 January	**20,222**	**20,636**
Net book value as of 31 December	**19,809**	**20,222**

Investment property comprised of the building that is used by Doğuş Teknoloji. The Group decided to rent this building to Doğuş Teknoloji in October 2014 and a 10-year rent contract has been signed between the parties.

The Group assesses whether there is any impairment indicator in investment properties. If such indicator exists the Group compares fair values and carrying values of the investment properties on an individual asset basis and records identified impairment of the investment properties.

The fair value of the investment property has been determined by a CMB licensed property appraiser company in October 2016. As of 31 December 2016, the fair value of the building amounts to TL 28,500 thousand (Level 2).

The useful life of the building that is classified as investment property is 50 years. The Group has recognized TL 1,113 thousand rent income from the related investment property in 2016.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

15.1 Short-Term Provisions

The breakdown of short-term provisions related to employee benefits as at 31 December is presented below:

	2016	2015
Provision for unused vacation	6,166	5,193
Total	**6,166**	**5,193**

The breakdown of other short-term provisions as at 31 December is presented below:

	2016	2015
Warranty provisions	43,843	35,617
Legal provisions	17,967	14,173
Total	**61,810**	**49,790**

The movements of provisions during the year are as follows:

	Balance at 1 January 2016	Provision set during the year	Provisions no longer required	Paid during the year	Balance at 31 December 2016
Legal provisions	14,173	6,142	(106)	(2,242)	17,967
Warranty provisions	35,617	87,089	-	(78,863)	43,843
Unused vacation liability provision	5,193	1,769	-	(796)	6,166
Total	**54,983**	**95,000**	**(106)**	**(81,901)**	**67,976**

	Balance at 1 January 2015	Provision set during the year	Provisions no longer required	Paid during the year	Balance at 31 December 2015
Legal provisions	14,614	2,978	(1,279)	(2,140)	14,173
Warranty provisions	33,541	75,486	-	(73,410)	35,617
Unused vacation liability provision	4,576	970	-	(353)	5,193
Total	**52,731**	**79,434**	**(1,279)**	**(75,903)**	**54,983**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

15.2 Letter of Guarantees Given, Pledges and Mortgages

As at 31 December 2016, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

	31 December 2016				
		Original balances			
	Total TL equivalent (thousand)	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of GPM given on behalf of own legal personality	1,622,787	134,991,247	21,500,000	375,995,455	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	75,799	-	-	-	22,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,698,586**	**134,991,247**	**21,500,000**	**375,995,455**	**27,000,000**

Other GPMs given by the Group as at 31 December 2016 are equivalent to 0% of the Company's equity (31 December 2015: 0%).

GPM amounting to TL 75,799 thousand (31 December 2015: TL 61,850 thousand) given in favor of companies which are consolidated is related to general loan agreements. As at 31 December 2016, GPM amounting TL 10,076 thousand of such GPMs have not been utilized (GPM amounting TL 23,128 thousand were not utilized as at 31 December 2015).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

15.2 Letter of Guarantees Given, Pledges and Mortgages (Continued)

As at 31 December 2015, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

	31 December 2015				
		Original balances			
	Total TL equivalent (thousand)	**Full TL**	**Full USD**	**Full Euro**	**Full CHF**
A. Total amount of GPM given on behalf of own legal personality	1,284,432	132,923,327	31,500,000	328,952,690	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	61,850	400,000	-	3,675,000	17,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	3,648	-	-	1,148,000	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,349,930**	**133,323,327**	**31,500,000**	**333,775,690**	**22,000,000**

15.3 Letter of Guarantees and Sureties Received

Letter of Guarantees Received

	2016	**2015**
Letter of guarantees received from fleet customers	88,891	85,925
Letters of guarantees received from fixed asset and service suppliers	51,442	65,926
Letters of guarantees received from dealers	23,887	30,135
Total	**164,220**	**181,986**

As at 31 December 2016, TL 4,039 thousand out of the total of TL 164,220 thousand of the letters of guarantee received, were given by the Group's related party Türkiye Garanti Bankası A.Ş. ("Garanti Bankası") (31 December 2015: TL 7,125 thousand out of the total of TL 181,986 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

15.4 Operating Leases

	2016	2015
2016	-	32,598
2017	39,859	18,824
2018 and onwards	76,816	53,053
Total	**116,675**	**104,475**

The operational lease liability amounting to TL 17,527 thousand is related to operational lease contracts signed with Group's related parties (31 December 2015: TL 21,484 thousand).

NOTE 16 – EMPLOYEE BENEFITS

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TFRS require actuarial valuation methods to be developed to estimate enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2016	2015
Inflation rate	7.00%	7.00%
Discount rate	4.30%	4.30%
Turnover rate to estimate the probability of retirement	9.36%	9.12%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability cap amounting to TL 4,297 has been taken into consideration in calculating the provision (31 December 2015: TL 3,828). The movements in the provision for employee termination benefits for the years ended 31 December are as follows:

	2016	2015
Balance at 1 January	13,937	11,804
Interest cost	1,516	1,016
Current service cost	1,408	1,370
Actuarial losses	485	2,014
Paid during the year (-)	(2,490)	(2,267)
Balance at 31 December	**14,856**	**13,937**

The movements in employee termination benefits are recognized under personnel expenses in consolidated profit or loss statement and actuarial losses are recognized under other comprehensive income.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 17 – PREPAYMENTS / DEFERRED INCOME

17.1 Short-Term Prepayments

As at 31 December, short-term prepayments comprise of the following:

	2016	2015
Prepaid expenses	18,303	15,749
Advances given	3,652	3,449
Total	**21,955**	**19,198**

17.2 Long-Term Prepayments

As at 31 December, long-term prepayments comprise of the following:

	2016	2015
Advances given for property and equipment purchases	14,684	28,090
Prepaid expenses	5,437	721
Total	**20,121**	**28,811**

17.3 Deferred Income

As at 31 December 2016 deferred income comprise of the advances received from customers amounting to TL 15,855 thousand (31 December 2015: TL 13,604 thousand), credit notes received from OEM amounting to TL 6,376 thousand and other deferred income amounting to TL 7,008 thousand.

NOTE 18 – OTHER CURRENT LIABILITIES

As at 31 December, other current liabilities comprise of the following:

	2016	2015
VAT payable	65,184	61,501
Expense accruals	2,418	2,560
Total	**67,602**	**64,061**

NOTE 19 – EQUITY

Issued Capital

As at 31 December 2016, the registered capital of the Company is TL 220,000 thousand (31 December 2015: TL 220,000 thousand). The paid-in share capital of the Company comprises of 220.000.000 units of registered shares with a nominal value of TL 1 each. There is no different type of share and no privilege given to specific shareholders. The Company's registered authorized capital ceiling is TL 660,000 thousand.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 19 – EQUITY (Continued)

Issued Capital (Continued)

As at 31 December, the composition of the Company's shareholding structure is as follows:

	2016		2015	
Shareholders	**TL**	**Shareholding (%)**	**TL**	**Shareholding (%)**
Doğuş Holding	77,462	35.21	77,462	35.21
Publicly traded (*)	75,900	34.50	75,900	34.50
Doğuş Araştırma Geliştirme ve Müşavirlik A.Ş.	66,638	30.29	66,638	30.29
Paid-in capital	**220,000**	**100.00**	**220,000**	**100.00**
Inflation adjustment difference	23,115		23,115	
Total	**243,115**		**243,115**	

(*) As of 31 December 2016, the Group has reacquired 22,000,000 units of its own shares which is equivalent to 10% of its paid-in capital in accordance with communique of CMB.

Restricted reserves appropriated from profits

The breakdown of restricted reserves is presented below:

	2016	**2015**
Legal reserves	156,314	126,450
Treasury share reserves	220,274	-
Special reserves	69,695	20,439
Total	**446,283**	**146,889**

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside as up to 5% of the distributable income per the statutory accounts each year. The ceiling of the first level reserves is 20% of the paid-in share capital. In case of a profit distribution in accordance with CMB regulations, second level legal reserves are set aside by rate of 1/10 for all cash distribution exceeding 5% of the share capital. In case of a profit distribution in accordance with statutory records, second level legal reserves are set aside by rate of 1/11 for all cash distribution exceeding 5% of the share capital. First and second level legal reserves cannot be distributed until they exceed 50% of the capital, but the reserves can solely be used for offsetting the losses in case of running out of arbitrary reserves. As at 31 December 2016, the legal reserves of the Group amounted to TL 156,314 thousand (31 December 2015: TL 126,450 thousand).

The 75% portion of gains amounting to TL 19,981 thousand and TL 49,256 thousand arising from the sale of participation share on joint venture and associates on 6 September 2013 and 16 February 2015 respectively recognized in statutory financial statements has been reclassified as "special reserves". As at 31 December 2016, the special reserves of the Group amounted to TL 69,695 thousand (31 December 2015: TL 20,439 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 19 – EQUITY (Continued)

Treasury shares

The Group reacquired its own shares that are traded on Borsa Istanbul A.Ş in accordance with the Communique on Buy Backed Shares (II-22.1) announced by CMB. In this context, as of 31 December 2016, the Group reacquired its own 22,000,000 units of registered shares that are equivalent to 10% portion of its issued capital at an amount of TL 220,274 thousand and accounted as "Treasury shares" under the equity. Additionally, the Group classified “Treasury share reserve” in the amount of the value of the reacquired shares under “Restricted reserves appropriated from profits” in accordance with the relevant communique.

Gains (Losses) on remeasurements of defined benefit plans

According to the transition rules of TAS 19 (2011), accumulated actuarial losses on employee benefits are started to be recognized within these accounts by the beginning of 1 January 2012 in accordance with the announcement made by CMB regarding financial statements and disclosure templates stated at “Principles of Financial Reporting in Capital Market’’ which is dated 13 June 2013 and published in the Official Gazette numbered 28676 Series:II, No.14.1.

Retained earnings / (Accumulated losses)

Accumulated profits other than net current year profit and extraordinary reserves are classified under retained earnings. As at 31 December 2016, accumulated losses are TL 60,557 thousand (31 December 2015: TL 129,669 thousand retained earnings and TL 106,247 thousand extraordinary reserve).

		2016	
	Extraordinary reserves	**Profits/(loss) brought forward**	**Retained earnings/ (accumulated losses)**
Balance at 1 January	106,247	129,669	235,916
Transfer of 2015 profit	-	302,921	302,921
Dividend payment	-	(300,000)	(300,000)
Transfer to legal reserves	-	(79,120)	(79,120)
Transfer to reserves related treasury shares	(106,247)	(114,027)	(220,274)
Balance at 31 December	**-**	**(60,557)**	**(60,557)**

		2015	
	Extraordinary reserves	**Profits/(loss) brought forward**	**Retained earnings/ (accumulated losses)**
Balance at 1 January	106,247	42,219	148,466
Transfer of 2014 profit	-	251,635	251,635
Dividend payment	-	(150,000)	(150,000)
Transfer to legal reserves	-	(14,185)	(14,185)
Balance at 31 December	**106,247**	**129,669**	**235,916**

Gains (Losses) on remeasuring of available-for-sale financial assets

Available-for-sale financial assets are recognized in consolidated financial statements at their fair values. The valuation differences realized at the reporting date in carrying amount of the available-for-sale financial assets is recognized in “gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets” account under equity in the consolidated financial statements. As at 31 December 2016, gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets of the Group amounted to TL 469,664 thousand (31 December 2015: TL 430,890 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 19 – EQUITY (Continued)

Foreign currency translation differences

Foreign currency translation differences comprise the foreign currency exchange rate differences arising from the translation of the financial statements on foreign currencies from functional currency to the presentation currency of the Group. As at 31 December 2016, the foreign currency translation differences of the Group amounted to TL 5,808 thousand (31 December 2015: TL 6,033 thousand).

Dividend

Publicly traded companies shall perform dividend distribution in accordance with the Communique on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014.

Companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the related regulation. Within the scope of this Communique, no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their articles of association. Additionally, dividends can be paid via equal or different installments and companies can distribute dividend advances based on profits at interim financial statements.

In the General Assembly Meeting which was held on 25 March 2016, it was decided to distribute dividends to shareholders on the previous year's distributable profit which is calculated by deducting legal reserves from period income. The Company shall pay an amount of TL 300,000 thousand in cash and has paid on 7 April 2016. Retain the remaining distributable profit amounted to TL 28,900 thousand as "legal reserve" within the Company.

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "non-controlling interests" in the consolidated financial statements. As at 31 December 2016 and 2015, the related amounts in the "non-controlling interests" in the consolidated financial statements are TL 4,622 thousand and TL 4,367 thousand respectively. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "non-controlling interests" in the consolidated profit or loss statement.

NOTE 20 – SALES AND COST OF SALES

For the years ended 31 December, gross profit comprise of the following:

	2016	**2015**
Vehicle sales	11,461,177	10,582,291
Spare part sales	1,075,639	933,352
Service sales	100,210	103,898
Sales return (-)	(27,307)	(97,311)
Sales discounts (-)	(684,543)	(633,069)
Net sales	**11,925,176**	**10,889,161**
Cost of sales	(10,772,300)	(9,780,598)
Gross profit	**1,152,876**	**1,108,563**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 21 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the years ended 31 December is presented below:

	2016	**2015**
General administration expenses	394,690	310,269
Marketing expenses	415,575	363,500
Total	**810,265**	**673,769**

21.1 Marketing Expenses

The breakdown of marketing expenses for the years ended 31 December is presented below:

	2016	**2015**
Distribution expenses	105,158	97,270
Advertising expenses	98,034	91,926
Warranty expenses, net	87,089	75,486
Personnel expenses	79,406	65,142
Support expenses	19,165	11,251
Rent expense	15,483	12,156
Customer service expenses	11,240	10,269
Total	**415,575**	**363,500**

21.2 General Administrative Expenses

The breakdown of general administration expenses for the years ended 31 December is presented below:

	2016	**2015**
Personnel expenses	181,265	144,749
Depreciation and amortization expenses	65,811	49,584
Building expenses	29,237	23,748
Maintenance expenses	17,282	12,399
Rent expenses	16,399	16,167
Donation expenses	14,373	3,581
Consultancy expense	10,703	10,107
Vehicle expenses	10,437	12,191
Corporate governance expenses	9,800	9,298
Traveling expenses	7,741	6,956
Insurance expenses	6,939	5,373
Litigation and indemnity expenses	5,636	1,169
Taxes and duties	3,626	3,249
Communication expenses	3,085	2,954
Disallowable expenses	2,358	1,910
Other	9,998	6,834
Total	**394,690**	**310,269**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 22 – EXPENSES BY NATURE

The breakdown of the expenses by nature for the years ended 31 December is as follows:

	2016	**2015**
Cost of trade goods	10,679,455	9,692,876
Personnel expenses	260,671	209,891
Distribution expenses	105,158	97,270
Advertisement and promotion expenses	98,034	91,926
Service costs	92,845	87,721
Warranty expenses, net	87,089	75,486
Depreciation and amortization expenses	65,811	49,584
Rent expenses	31,882	28,323
Building expenses	29,237	23,748
Maintenance expenses	17,282	12,399
Consultancy expenses	10,703	10,107
Vehicle expenses	10,437	12,191
Travelling expenses	7,741	6,956
Other	86,220	55,889
Total	**11,582,565**	**10,454,367**

NOTE 23 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

23.1 Other Income from Operating Activities

The breakdown of other income from operating activities for the years ended 31 December is presented below:

	2016	**2015**
Foreign exchange gains other than financing activities, net	62,391	-
Service income	37,385	28,428
Commission income	25,646	20,018
Insurance income	19,366	8,039
Interest income	428	1,718
Other	12,323	8,874
Total	**157,539**	**67,077**

23.2 Other Expense from Operating Activities

The breakdown of other expense from operating activities for the years ended 31 December is presented below:

	2016	**2015**
Insurance expenses	17,612	2,399
After sales expenses	15,923	13,172
Commission expense	13,780	9,989
Service expenses	12,232	9,605
Interest expense, net	5,149	3,183
Destruction expenses	1,418	1,342
Other foreign exchange losses other than financing activities, net	-	12,926
Other	8,080	2,687
Total	**74,194**	**55,303**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 24 – INVESTMENT ACTIVITY INCOME

The breakdown of income from investment activities for the years ended 31 December is presented below:

	2016	2015
Gain on sale of property and equipment	13,765	9,551
Dividend income	9,259	11,385
Gain on sale of shares of associates and joint ventures	-	25,939
Total	**23,024**	**46,875**

NOTE 25 – FINANCE EXPENSES

The breakdown of finance costs for the years ended 31 December is as follows:

	2016	2015
Interest expense on borrowings	267,528	163,705
Foreign exchange losses on borrowings, net	1,576	3,597
Commission expenses on letters of guarantee	3,196	3,019
Other	397	1,167
Total	**272,697**	**171,488**

NOTE 26 – TAX ASSET AND LIABILITIES

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which include its subsidiaries and affiliates. Accordingly tax considerations reflected in these consolidated financial statements have been calculated separately for each of the companies in the scope of the consolidation.

The Corporate Tax Law was amended by Law No.5520 dated 13 September 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable at a rate of 20% (31 December 2015: 20%) on the total income of the Company and its subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

As at 31 December 2016, enacted corporation tax rate is 22.8% for the subsidiary registered in Switzerland according to local tax law (31 December 2015: 22.8%). According to Swiss tax laws, losses can be carried forward for offsetting against future taxable income for up to 7 years.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

As at 31 December 2016, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2015: 15%). According to Iraqi tax laws, losses can be carried forward for offsetting against future taxable income for up to 5 years.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid during the year is offset against the annual corporation tax payable, which is calculated over the corporate tax return declared in the following year. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Dividend income of a resident arising from the investments in another resident is not subject to corporate tax. (Except mutual funds participation certificate and dividend income from mutual fund)

Accordingly, income items complying with the abovementioned rules and included in accounting profit or loss are taken into account in corporate tax computation.

In determining the tax base, in addition to abovementioned exceptions, exceptions indicated in article 8 of Corporate Tax Law and article 40 of Income Tax Law are also taken into account.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.

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

Losses can be carried forward for offsetting against future taxable income for up to 5 years.

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years, are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realized.

For the years ended 31 December, taxation charge comprise of the following:

	2016	2015
Current tax expense	(40,594)	(61,976)
Deferred tax income / (expense)	3,405	(969)
Total tax expense	**(37,189)**	**(62,945)**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

For the years ended 31 December, the tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

		2016		**2015**
Profit before tax		275,132		365,389
Income tax using the Company's domestic tax rate	(20%)	(55,026)	(20%)	(73,078)
Disallowable expenses	(1%)	(3,046)	(1%)	(3,915)
Share of profit in equity accounted investees exempt from deferred tax calculation	7%	19,770	2%	8,687
Tax exempt income	1%	1,851	1%	2,277
Exemption on the gain resulting from sale of associates	-	-	3%	9,851
Tax exempt income resulting from sale of associates	-	-	(2%)	(5,645)
Other		(738)		(1,122)
Total tax expense	**(14%)**	**(37,189)**	**(17%)**	**(62,945)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with Turkish Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. Tax rate is 20% for deferred tax assets and liabilities on temporary differences (31 December 2015: 20%).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes

As at 31 December, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax asset		Deferred tax Liabilities		Net deferred tax asset/(liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Fair value change of available-for-sale financial assets	-	-	(21,012)	(19,086)	(21,012)	(19,086)
Land	-	-	(1,270)	(1,270)	(1,270)	(1,270)
Carry forward tax losses	7,485	5,577	-	-	7,485	5,577
Other tangible and intangible assets	1,848	2,546	-	-	1,848	2,546
Warranty provision, net	8,769	7,123	-	-	8,769	7,123
Legal provision	3,594	2,834	-	-	3,594	2,834
Provision for diminution in value of inventories	950	782	-	-	950	782
Employee termination benefit	2,972	2,787	-	-	2,972	2,787
Unused vacation liability	1,234	1,039	-	-	1,234	1,039
Other	43	705	-	-	43	705
Total deferred tax asset/(liabilities)	26,895	23,393	(22,282)	(20,356)	4,613	3,037
Net off tax	(19,410)	(17,731)	19,410	17,731	-	-
Total deferred tax assets/(liabilities)	**7,485**	**5,662**	**(2,872)**	**(2,625)**	**4,613**	**3,037**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is considered highly probable by the Group management.

The movements in temporary differences as at 31 December 2016 are as follows:

	1 January 2016	Recognized in the profit or loss	Recognized in other comprehensive income	31 December 2016
Fair value change of available-for-sale financial assets	(19,086)	-	(1,926)	(21,012)
Land	(1,270)	-	-	(1,270)
Carry forward tax losses	5,577	1,908	-	7,485
Other tangible and intangible assets	2,546	(698)	-	1,848
Warranty provision, net	7,123	1,646	-	8,769
Legal provision, net	2,834	760	-	3,594
Provision for diminution in value of inventories	782	168	-	950
Employee termination benefit	2,787	88	97	2,972
Unused vacation liability	1,039	195	-	1,234
Other	705	(662)	-	43
	3,037	**3,405**	**(1,829)**	**4,613**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 31 December 2015 are as follows:

	1 January 2015	Recognized in the profit or loss	Recognized in other comprehensive income	31 December 2015
Fair value change of available-for-sale financial assets	(20,093)	-	1,007	(19,086)
Land	(1,270)	-	-	(1,270)
Carry forward tax losses	6,030	(453)	-	5,577
Other tangible and intangible assets	3,068	(522)	-	2,546
Warranty provision, net	6,708	415	-	7,123
Legal provision, net	2,922	(88)	-	2,834
Provision for diminution in value of inventories	770	12	-	782
Employee termination benefit	2,361	23	403	2,787
Unused vacation liability	916	123	-	1,039
Other	1,184	(479)	-	705
	2,596	**(969)**	**1,410**	**3,037**

As at 31 December 2016, current income tax liabilities amounting to TL 3,033 thousand (31 December 2015: TL 3,166 thousand) is comprised by tax provision for the year ended 31 December 2016.

As at 31 December 2015, current income tax assets amounting to TL 15,984 thousand is comprised of prepaid advance tax (31 December 2016: nil).

As at 31 December, financial losses carried forward comprise of the following:

	2016	2015
2016	-	2,590
2017	1,852	1,852
2018	7,314	7,314
2019	5,101	5,101
2020	5,988	5,988
2021	2,881	2,881
2022	1,325	1,325
2023	8,362	-
Total financial losses carried forward	**32,823**	**27,051**

NOTE 27 – EARNINGS PER SHARE

Earnings per share is calculated by dividing net income attributable to equity holders of the Company for the period by the weighted average number of shares of the Company available during the period. For the years ended 31 December, earnings per share are calculated as follows:

	2016	2015
Net profit attributable to the equity holders of the Company	237,688	302,921
Number of basic shares	214,173,982	220,000,000
Basic/diluted earnings per share (in full TL)	**1.1098**	**1.3769**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

28.1 Cash and Cash Equivalents

As at 31 December, Group's cash balances at related party banks are as follows:

	2016	2015
Garanti Bankası – credit card receivables	16,920	21,631
Garanti Bankası – demand deposits	21,752	15,376
Garanti Bankası – time deposits	19,000	7,716
Total	**57,672**	**44,723**

As at 31 December 2016, effective interest rate on TL denominated time deposits at Garanti Bankası is 6.75% (31 December 2015: 7.50%). As at 31 December 2016, maturity of time deposits is a day (31 December 2015: 4 day).

28.2 Financial Liabilities

As at 31 December 2016, Group's financial borrowings used from related parties are as follows;

	2016	2015
Garanti Bankası	205,491	105,519
Garanti Bank International NV.	18,088	11,751
Total	**223,579**	**117,270**

As at 31 December 2016, effective interest rates on TL denominated financial borrowings at Garanti Bankası are between 13.20% and 14.50% (31 December 2015: 12.70%) and CHF denominated financial borrowing at Garanti Bank International NV. is 2.00% (31 December 2015: 2.00-3.25%)

28.3 Due from Related Parties

As at 31 December, receivables from and payables to related parties comprise the following:

29.3.1 Due from associates

	2016	2015
VDF	1,238	662
Yüce Auto	887	4,733
Doğuş Teknoloji	29	3,093
Other	3	5
Total	**2,157**	**8,493**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.3 Due from Related Parties (Continued)

28.3.2 Due from joint ventures

	2016	2015
Tüvtürk	7	1
Total	**7**	**1**

28.3.3 Due from other related parties

	2016	2015
VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring")	723,684	734,162
Garanti Filo Yönetim Hizmetleri A.Ş. ("Garanti Filo Yönetim")	55,395	25,100
VDF Filo Kiralama A.Ş.	17,303	-
VDF Sigorta Aracılık Hizmetleri A.Ş.	724	1,047
Other	100	172
Total	**797,206**	**760,481**

28.3.4 Due from shareholders

	2016	2015
Doğuş Holding	1	1
Total	**1**	**1**
Grand Total	**799,371**	**768,976**

28.4 Other receivables from joint ventures

	2016	2015
Meiller-Doğuş	22	1,639
Total	**22**	**1,639**

As at 31 December 2016, the Group charges monthly 4% overdue interest to related parties (31 December 2015: 4% per month).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.5 Current prepayments due from related parties

28.5.1 Current prepaid expenses

	2016	2015
Pozitif Arena Salon İşletmeleri A.Ş.	2,891	2,550
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	324	-
VDF Sigorta Aracılık Hizmetleri A.Ş.	184	77
Doğuş Holding A.Ş	29	26
Other	136	2
Total	**3,564**	**2,655**

28.5.2 Advances given

	2016	2015
Antur Turizm A.Ş	434	1,080
Total	**434**	**1,080**
Grand total	**3,998**	**3,735**

28.6 Non-current prepayments due from related parties

28.6.1 Non-current prepayments

	2016	2015
Pozitif Arena Salon İşletmeleri A.Ş.	6	69
Total	**6**	**69**

28.6.2 Advances given

	2016	2015
Doğuş İnşaat ve Ticaret A.Ş.	-	5,227
Total	**-**	**5,227**
Grand total	**6**	**5,296**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.7 Due to Related Parties

28.7.1 Due to associates

	2016	2015
Yüce Auto	28,254	14,010
Volkswagen Doğuş Finansman	2,111	-
Doğuş Teknoloji	3,725	537
Total	**34,090**	**14,547**

28.7.2 Due to joint ventures

	2016	2015
Meiller-Doğuş	-	29
Tüvtürk	-	1
Total	**-**	**30**

28.7.3 Due to other related parties

	2016	2015
Antur Turizm A.Ş.	1,193	2,469
Doğuş İnşaat ve Ticaret A.Ş.	1,000	-
Doğuş Enerji Toptan Elektrik Ticaret A.Ş.	596	577
Doğuş Yayın Grubu A.Ş.	158	171
VDF Sigorta Aracılık Hizmetleri A.Ş.	133	1,243
Pozitif Arena Konser Salon İşletmeleri A.Ş.	-	3,206
Other	1,012	715
Total	**4,092**	**8,381**

28.7.4 Due to shareholders

	2016	2015
Doğuş Holding	1,005	607
Total	**1,005**	**607**
Grand total	**39,187**	**23,565**

28.8 Short term deferred income from related parties

	2016	2015
Pozitif Arena Konser Salon İşletmeleri A.Ş.	63	63
Total	**63**	**63**

28.9 Long term deferred income from related parties

	2016	2015
Pozitif Arena Konser Salon İşletmeleri A.Ş.	6	69
Total	**6**	**69**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOT 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.10 Related Party Transactions

Related party transactions for the years ended 31 December are as follows:

28.10.1 Associates

	2016	2015
Sales and other income generating transactions:		
Other income	26,885	21,947
Sale of products and returns, net	10,308	7,765
Sale of services, net	130	358
Finance income	188	475
Total	**37,511**	**30,545**

Purchases and expenses incurring transactions:	**2016**	**2015**
Inventory purchase	250,674	112,611
Incentives for consumer loans	73,137	30,177
Other purchases	17,656	12,997
Fixed asset purchases	17,210	12,950
Services rendered	6,553	5,796
Other expenses	1,053	111
Total	**366,283**	**174,642**

28.10.2 Joint ventures

	2016	2015
Sales and other income generating transactions:		
Sale of products and returns, net	87	456
Sale of service, net	25	28
Other income	-	27
Finance income	147	19
Total	**259**	**530**

Purchases and expense creating transactions:	**2016**	**2015**
Inventory purchases	177	21,910
Cost of sales	-	376
Services rendered	16	79
Total	**193**	**22,365**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOT 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.10 Related Party Transactions (Continued)

28.10.3 Other related parties

a) Income generated from other related parties

	2016			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	113,335	1,572	-	114,907
Garanti Finansal Kiralama A.Ş.	6,646	-	-	6,646
VDF Sigorta	175	12	8,100	8,287
VDF Faktoring	72	2	-	74
Other	15,713	102	496	16,311
	135,941	**1,688**	**8,596**	**146,225**

	2015			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	55,131	1,368	-	56,499
VDF Sigorta	7	5	5,575	5,587
VDF Faktoring	-	2	-	2
Other	2,918	100	797	3,815
	58,056	**1,475**	**6,372**	**65,903**

b) Expenses arising from transactions with other related parties

	2016						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	40,032	-	-	-	123	104	40,259
Doğuş Gayrimenkul Yatırım Ortaklığı	15,377	-	-	-	-	-	15,377
Doğuş Enerji	5,301	-	-	-	-	-	5,301
VDF Sigorta	96	-	-	-	1,465	4,043	5,604
Doğuş İnşaat	-	39,482	-	-	-	-	39,482
Other	6,764	275	1,196	33,346	-	8,149	49,730
	67,570	**39,757**	**1,196**	**33,346**	**1,588**	**12,296**	**155,753**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOT 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.10 Related Party Transactions (Continued)

28.10.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties (Continued)

	2015						
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	29,873	-	-	-	-	7	29,880
Doğuş Gayrimenkul Yatırım Ortaklığı	12,876	-	-	-	-	-	12,876
Doğuş Enerji	4,910	-	-	-	-	-	4,910
VDF Sigorta	4,058	-	-	-	717	462	5,237
Doğuş İnşaat	-	45,297	-	-	-	-	45,297
Other	2,376	541	349	9,517	11	8,492	21,286
	54,093	**45,838**	**349**	**9,517**	**728**	**8,961**	**119,486**

28.10.4 Transactions with shareholders

a) Income generated from shareholders

	2016				
	Sale of Products	Sale of services	Income from investing Activities	Other income from operating activities	Total
Doğuş Holding	27	24	11,022	-	11,073
	27	**24**	**11,022**	**-**	**11,073**

	2015				
	Sale of products	Sale of services	Income from investing activities	Other income from operating activities	Total
Doğuş Holding	257	27	11,385	-	11,669
	257	**27**	**11,385**	**-**	**11,669**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 28 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

28.10 Related Party Transactions (Continued)

28.10.4 Transactions with shareholders (Continued)

b) Expenses arising from transactions with shareholders

	2016				
	Services rendered	**Purchase of fixed assets**	**Other expense from operating activities**	**Finance expenses**	**Total**
Doğuş Holding	10,847	45	229	-	11,121
	10,847	**45**	**229**	**-**	**11,121**

	2015				
	Services rendered	**Purchase of fixed assets**	**Other expense from operating activities**	**Finance expenses**	**Total**
Doğuş Holding	8,911	28	3,633	9	12,581
	8,911	**28**	**3,633**	**9**	**12,581**

28.11 Key Management Personnel Compensation

	2016	**2015**
Salaries and other short-term employee benefits	56,709	41,419
Total	**56,709**	**41,419**

The Group classifies members of the Board of Directors and senior executives who have administrative responsibilities as key management personnel, since they are responsible for the planning, management and control of the Group’s operations.

Remuneration of Board of Directors and executive management for the years ended 31 December 2016 and 2015 includes salaries, health insurance and employer shares of Social Security Institution.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS

Financial instruments and capital risk management

Financial risk factors

The Group's objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital structure includes payables including loans and respectively cash and cash equivalents, paid-in capital, reserves and retained earnings.

The board of directors monitors the return on capital and the level of dividends to ordinary shareholders.

The Group monitors its share capital by using financial liability to equity ratio. The ratio is calculated by dividing financial liabilities deducting to cash and cash equivalents to equity. Total of financial liabilities comprises entire current and non-current financial liabilities whereas total equity comprises each equity item on the statement of financial position.

The following table sets out the Group's financial liability to equity ratio as at 31 December:

	2016	**2015**
Total financial liabilities	2,758,435	1,941,124
Cash and cash equivalents	(89,098)	(71,870)
Total financial liabilities, net	**2,669,337**	**1,869,254**
Total equity	1,118,713	1,362,883
Financial liabilities/equity ratio	**2.39**	**1.37**

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The risk management program is applied by the Company and its subsidiaries, joint ventures and associates in line with the policies set by the Board of Directors.

(a) Credit risk

The Group's significant portions of receivables from dealers are collected through VDF Faktoring. The receivables from dealers through VDF Faktoring are collected when they are due and these are irrevocable transactions.

The credit risk arising from these transactions are followed by the management and these risks are limited for each debtor. These risks arising from relevant receivables are guaranteed with proper instruments (Note 8).

	Receivables						
	Trade receivables		Other receivables		Bank	Derivative	
31 December 2016	Related parties	Other parties	Related parties	Other parties	deposits	instruments	Other
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	799,371	414,415	22	96,254	88,436	-	-
- Guaranteed portion of the maximum exposure	-	116,230	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	799,371	414,361	22	96,254	88,436	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	54	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,492	-	-	-	-	-
- Impairment (-)	-	(1,492)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	116,230	-	-	-	-	-
D. Off financial statement items with credit risks (****)	-	-	-	-	-	-	-

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

	Receivables						
	Trade receivables		**Other receivables**		**Bank**	**Derivative**	
31 December 2015	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**deposits**	**instruments**	**Other**
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	768,976	326,648	13,317	50,652	71,685	-	-
- Guaranteed portion of the maximum exposure	-	69,408	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	768,976	325,437	1,639	50,652	71,685	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	1,211	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,496	-	-	-	-	-
- Impairment (-)	-	(1,496)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	1,211	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	68,197	-	-	-	-	-
D. Off financial statement items with credit risks (****)	-	-	11,678	-	-	-	-

(*) This area indicates the total of the figures placed in A, B, C and D lines. In determination of aforementioned figures, items increasing credit reliability such as guarantees received are not considered.

(**) As at 31 December 2016 and 31 December 2015, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 31 December 2016 and 31 December 2015, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 31 December 2016 and 31 December 2015, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

Aging of past due receivables that are not impaired

As at 31 December, the aging of past due receivables that are not impaired are as follows:

	Receivables		Deposits on banks	Derivative instruments	Other
31 December 2016	Trade receivables	Other receivables			
Past due 1-30 days	1	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	53	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.		-	-	-	-

	Receivables		Deposits on banks	Derivative instruments	Other
31 December 2015	Trade receivables	Other receivables			
Past due 1-30 days	1,205	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	6	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	1,211	-	-	-	-

(b) Liquidity risk

Liquidity risk management refers to capacity of holding adequate amount of cash and marketable securities, adequate credit lines and ability to close out market position.

Risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group, in order to minimize liquidity risk, holds adequate cash and available line of credit (including factoring capacity). In this regard, as at 31 December 2016, the Group have lines of credit amounting to Euro 867,795 thousand, USD 536,167 thousand, CHF 5,000 thousand and TL 4,234,772 thousand (31 December 2015: lines of credit amounting to Euro 786,494 thousand, USD 456,000 thousand, CHF 5,000 thousand and TL 2,572,772 thousand). The utilized portions of the aforementioned total credit lines are disclosed in Note 7.

In addition, the Group has a non-cash credit line obtained from underwriting banks amounting to Euro 373,000 thousand and CHF 5,000 thousand equivalent to TL 1,401,020 thousand (31 December 2015: Euro 326,000 thousand, USD 10,000 thousand and CHF 5,000 thousand equivalent to TL 1,079,613 thousand) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months. The Group's credit purchase limit based on the letters of guarantee given to the main foreign suppliers of which Euro 224,239 thousand and CHF 4,580 thousand equivalent to TL 847,683 thousand is not used as at 31 December 2016 (31 December 2015: Euro 231,258 thousand, USD 10,000 thousand and CHF 4,150 thousand equivalent to TL 776,070 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The below tables show the financial liabilities of the Group according to their remaining maturities as at 31 December:

	31 December 2016					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	2,758,435	2,773,971	1,057,027	1,686,215	30,729	-
Trade payables to related parties	39,187	39,187	39,187	-	-	-
Trade payables to third parties	731,488	731,488	243,489	487,999	-	-
Other current liabilities (*)	2,418	2,418	2,418	-	-	-
Total non-derivative financial liabilities	**3,531,528**	**3,547,064**	**1,342,121**	**2,174,214**	**30,729**	**-**

	31 December 2015					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	1,941,107	1,980,876	82,057	1,584,987	313,832	-
Finance lease liabilities	17	60	60	-	-	-
Trade payables to related parties	23,565	23,565	23,565	-	-	-
Trade payables to third parties	485,846	485,846	186,432	299,414	-	-
Other current liabilities (*)	2,560	2,560	2,560	-	-	-
Total non-derivative financial liabilities	**2,453,095**	**2,492,907**	**294,674**	**1,884,401**	**313,832**	**-**

(*) Non-financial items such as VAT payable, taxes, withholdings payable and advances taken are excluded from other current liabilities.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency denominated payables to original equipment manufacturers and borrowings from financial institutions. This risk is monitored by the board of directors through periodic meetings. The Group's foreign currency position is managed through taking limited positions within limits recommended by executive board and approved by board of directors as well using derivative instruments where necessary.

To minimize the risk arising from foreign currency denominated balance sheet items, the Group utilizes derivative instruments as well as keeping part of its idle cash in foreign currencies. In addition, translation of cost of goods-in-transit until completion of the customs transactions, in accordance with the customs law provides a natural hedge.

Currency sensitivity analysis		
31 December 2016		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(533)	533
2- USD risk averse portion (-)		
3- Net USD effect (1+2)	**(533)**	**533**
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	19,163	(19,163)
5- Euro risk averse portion (-)		
6- Net Euro effect (4+5)	**19,163**	**(19,163)**
TOTAL (3+6)	**18,630**	**(18,630)**

Currency sensitivity analysis		
31 December 2015		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(1,233)	1,233
2- USD risk averse portion (-)	**(1,233)**	**1,233**
3- Net USD effect (1+2)		
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	25,956	(25,956)
5- Euro risk averse portion (-)		
6- Net Euro effect (4+5)	**25,956**	**(25,956)**
TOTAL (3+6)	**24,723**	**(24,723)**

Foreign exchange rates for USD, Euro and Swiss Franc as at 31 December are as follows:

	31 December 2016	**31 December 2015**
USD	3.5192	2.9076
EUR	3.7099	3.1776
CHF	3.4454	2.9278

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

As at 31 December 2016, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2016				
		Original balances			
	Total TL equivalent	USD (thousand)	Euro (thousand)	CHF (thousand)	Other (thousand)
Assets:					
Trade receivables	5,761	67	435	1,135	-
Monetary financial assets	9,754	355	1,121	1,251	62
Other monetary assets	752,438	208	202,449	186	-
Total assets	**767,953**	**630**	**204,005**	**2,572**	**62**
Trade payables	567,668	341	152,233	492	1
Financial liabilities	45,627	1,348	-	11,866	-
Other monetary liabilities	5,280	25	116	1,382	-
Current liabilities	**618,575**	**1,714**	**152,349**	**13,740**	**1**
Financial liabilities	24,838	-	-	7,209	-
Non-current liabilities	**24,838**	**-**	**-**	**7,209**	**-**
Total liabilities	**643,413**	**1,714**	**152,349**	**20,949**	**1**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/ asset position	**124,540**	**(1,084)**	**51,656**	**(18,377)**	**61**
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	22,329	372	5,666	-	-
Sureties and letters of guarantee given	1,563,595	21,500	375,995	27,000	-
Import	10,779,608	-	2,905,633	-	-

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

As at 31 December 2015, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2015				
		Original balances			
	Total TL equivalent	USD (thousand)	Euro (thousand)	CHF (thousand)	Other (thousand)
Assets:					
Trade receivables	6,553	-	283	1,931	-
Monetary financial assets	2.927	176	200	602	7
Other monetary assets	607,882	154	186,804	4,729	-
Total assets	**617.362**	**330**	**187,287**	**7,262**	**7**
Trade payables	337,139	530	105,404	154	50
Financial liabilities	9,584	2,697	-	595	-
Current liabilities	**346.723**	**3,227**	**105,404**	**749**	**50**
Financial liabilities	26,209	1,344	-	7,617	-
Non-current liabilities	**26.209**	**1,344**	**-**	**7,617**	**-**
Total liabilities	**372.932**	**4,571**	**105,404**	**8,366**	**50**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/ asset position	**244.430**	**(4,241)**	**81,883**	**(1,104)**	**(43)**
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	19,807	462	5,810	-	-
Sureties and letters of guarantee given	1,216,607	31,500	333,776	22,000	-
Import	9,324,560	-	2,934,466	-	-

As at 31 December 2016, goods-in-transit of the Group amount to Euro 181,953 thousand equivalent to TL 675,030 thousand (31 December 2015: Euro 176,878 thousand equivalent to TL 562,047 thousand).

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(d) Market risk

The Group is exposed to market risk through holding shares of Doğuş Holding.

Even though the shares of Doğuş Holding are not quoted in the capital market, fair value of the Doğuş Holding's shares is determined by using market information of publicly held Doğuş Holding group companies and other valuation methodologies are used for remaining Doğuş Holding group companies. Therefore, value of Doğuş Holding recognized in the financial statements is affected by price fluctuations in the shares of publicly held Doğuş Holding group companies.

Under the assumption of 10% increase/decrease in share prices as at 31 December 2016, all other variables held constant, the Group's equity would have been increased/decreased by TL 13,114 thousand (31 December 2015: TL 14,139 thousand).

(e) Interest rate risk

At 31 December 2016, if market interest rates on USD denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the period to be lower/higher by TL 4 thousand (31 December 2015: TL 10 thousand). At 31 December 2016, if market interest rates on TL denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the period to be lower/higher by TL 18 thousand (31 December 2015: TL 118 thousand). Interest rate table is as follows:

31 December 2016	**Interest rate table**		
		Current period	**Previous period**
	Financial instruments with floating interest rates		
Financial liabilities	USD	4	10
Financial liabilities	TL	18	118

(f) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date except involuntary liquidation or distress sale. When available, the quoted price in an active market provide the best estimate of its fair value.

If a quoted market price is not available, the Group using available market information and appropriate valuation methodologies estimates the fair value of the instrument. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realized in current market exchange.

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Financial assets

The principles used in determining the fair values of financial assets and liabilities are as follows:

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Since Doğuş Holding is not a publicly traded, fair value of Doğuş Holding is determined by using current market information's for publicly traded companies under Doğuş Holding governance. Fair value of Doğuş Holding is also determined by using other valuation methods for non-public companies under Doğuş Holding governance. Therefore Doğuş Holding presented under financial assets is assumed to reflect its fair value.

Financial liabilities

Short-term TL denominated bank borrowings are assumed to converge to its fair value, as the payment dates get closer to the balance sheet date. Floating rate long-term borrowings denominated in foreign currency and TL are assumed to reflect their fair value.

Since trade payables are short-term and foreign currency denominated, they are assumed to reflect their fair values. Estimated fair value of financial instruments is determined by the Group using the existing market information or appropriate valuation methods, if possible.

However, market value may not reflect the fair value as contentment is used in finding out the expected fair value. Therefore, except for mentioned assumptions, inputs for the financial asset or liabilities which are not based on observable market data (unobservable inputs) and the Group utilize for their contentment regarding fair value analysis, are considered as level 3 in relation to valuation method for comparable fair value analysis of long-term financial liabilities under the classifications defined.

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

As of 31 December, net carrying amounts and fair values of assets and liabilities as shown below:

31 December 2016	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Net carrying amount	Fair value	Note
Financial assets						
Cash and cash equivalents	89,098	-	-	89,098	89,098	5
Financial investments	-	550,350	-	550,350	550,350	6
Trade receivables from third parties	414,415	-	-	414,415	414,415	8
Other receivables from third parties	96,254	-	-	96,254	96,254	-
Other receivables from related parties	22	-	-	22	22	28.4
Trade receivables from related parties	799,371	-	-	799,371	799,371	28.3
Financial liabilities						
Trade payables to third parties	-	-	731,488	731,488	731,488	8
Trade payables to related parties	-	-	39,187	39,187	39,187	28.7
Borrowings	-	-	2,758,435	2,758,435	2,758,435	7

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

31 December 2015	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Net carrying amount	Fair value	Note
Financial assets						
Cash and cash equivalents	71,870	-	-	71,870	71,870	5
Financial investments	-	511,815	-	511,815	511,815	6
Trade receivables from third parties	326,648	-	-	326,648	326,648	8
Other receivables from third parties	50,652	-	-	50,652	50,652	-
Other receivables from related parties	1,639	-	-	1,639	1,639	28.4
Trade receivables from related parties	768,976	-	-	768,976	768,976	28.3
Financial liabilities						
Trade payables to third parties	-	-	485,846	485,846	485,846	8
Trade payables to related parties	-	-	23,565	23,565	23,565	28.7
Borrowings	-	-	1,941,124	1,941,124	1,941,124	7

(Amounts expressed in thousands of TL unless otherwise indicated except share amounts.)

NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Classification regarding fair value measurement

"TFRS 7 – Financial Instruments: Disclosure" requires the companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial instruments. The basis for the hierarchy is dependent on whether the data used in fair value calculation is observable or not. Observable inputs mean that the Group using market inputs derived from independent sources and unobservable inputs mean that the Group using market expectation and assumptions. This distinction leads to classifications presented as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market. (unobservable inputs).

Classification requires use observable market inputs where available. In this respect, fair value classifications of financial assets which are valued with their fair values are as follows:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	-	550,350	-	550,350
Total financial assets	**-**	**550,350**	**-**	**550,350**

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	-	511,815	-	511,815
Total financial assets	**-**	**511,815**	**-**	**511,815**

NOTE 30 – SUBSEQUENT EVENTS

The Group has acquired its rented real estate which is located in Esenyurt/İstanbul from Doğuş Holding A.Ş. for TL 186,500 thousand in line with the price determined with real estate value assessment report.

The legal process for the capital decrease of Meiller Doğuş Damper Sanayi ve Ticaret Limited Şirketi, which the Group has 49% share and their operations have been suspended has started.