**DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT THEREON**

**(Originally issued in Turkish)**

14 February 2019

This report is consisted of 4 pages of independent auditor's audit report and 84 pages consolidated financial statements with accompanying notes.

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**(Convenience translation of a report and consolidated financial statements originally issued in Turkish)**

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi**

### A) Report on the Audit of the Consolidated Financial Statements

### 1) Opinion

We have audited the consolidated financial statements of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and 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 to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

### 2) Basis for Opinion

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

### 3) Key Audit Matters

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

| Key Audit Matters | Auditor's response |
|---|---|
| *Warranty provision* | |
| As of 31 December 2018, warranty provisions are amounting to TL 40.362.066 on consolidated financial statements. Based on statistical information obtained from prior years, the Group recognizes a provision for the estimated warranty obligation calculated depending on net probable future expenses related to vehicles that have been sold in the past. Warranty provision has been identified as a key audit matter due to the fact that it constitutes a significant amount for financial statements and contains assumptions. | As part of our audit procedures, calculation based on provision for products covered by a warranty has been provided by the Group management. Last five years' realization in scope of prior period warranty and journal entries has been mutually examined, and also the spare parts and labor costs realized and the unit costs used in the calculation have been mutually checked. In addition, we have assessed the adequacy of the disclosures in Note 15.1, provisions, in accordance with IAS 37. |

**4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, 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.

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

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

**5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

**(Convenience translation of a report and consolidated financial statements originally issued in Turkish)**

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 14, 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ferzan Ülgen, SMMM
Partner

February 14, 2019
İstanbul, Türkiye

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

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | Notes | Audited 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | 365,892 | 106,385 |
| Trade receivables | | 643,538 | 1,425,215 |
| Trade receivables due from related parties | 28.1 | 387,259 | 1,111,575 |
| Trade receivables due from third parties | 8.1 | 256,279 | 313,640 |
| Other receivables | | 322,976 | 189,901 |
| Other receivables due from third parties | 9 | 322,976 | 189,901 |
| Inventories | 10 | 1,365,896 | 1,425,344 |
| Prepayments | 17.1 | 25,953 | 28,548 |
| Current income tax assets | 26 | 35,178 | 445 |
| Other current assets | 17.4 | 57,710 | 18,429 |
| **Total current assets** | | **2,817,143** | **3,194,267** |
| **NON-CURRENT ASSETS** | | | |
| Financial investments | | 567,259 | 579,277 |
| Financial assets measured at fair value through other comprehensive income | 6 | 567,259 | 579,277 |
| Other receivables | | 679 | 524 |
| Other receivables due from third parties | | 679 | 524 |
| Investments accounted for using equity method | 11 | 374,659 | 352,323 |
| Investment property | 14 | 20,853 | 21,266 |
| Property, plant and equipment | 12 | 982,378 | 975,348 |
| Intangible assets | 13 | 35,354 | 31,731 |
| Prepayments | 17.2 | 337 | 10,608 |
| Deferred tax asset | 26 | - | 1,538 |
| **Total non-current assets** | | **1,981,519** | **1,972,615** |
| **TOTAL ASSETS** | | **4,798,662** | **5,166,882** |

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

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | | Audited | |
|---|---|---|---|
| **LIABILITIES** | **Notes** | **2018** | **2017** |
| **CURRENT LIABILITIES** | | | |
| Current borrowings | 7 | 2,650,665 | 2,959,896 |
| Current portion of non-current borrowings | 7 | - | 3,836 |
| Trade payables | | 554,172 | 633,545 |
| Trade payables to related parties | 28.4 | 119,587 | 44,618 |
| Trade payables to third parties | 8.2 | 434,585 | 588,927 |
| Employee benefit obligations | | 18,760 | 24,602 |
| Deferred income | 17.3 | 18,325 | 32,644 |
| Current tax liabilities | 26 | 3,235 | 5,827 |
| Current provisions | | 44,104 | 45,539 |
| Other current provisions | 15.1 | 44,104 | 45,539 |
| Other current liabilities | 18 | 73,884 | 63,115 |
| **Total current liabilities** | | **3,363,145** | **3,769,004** |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term borrowings | 7 | 60,000 | 11,106 |
| Deferred income | | 2,489 | 1,178 |
| Non-current provisions | | 63,158 | 58,149 |
| Non-current provisions for employee benefits | 16 | 39,152 | 35,091 |
| Other long-term provisions | | 24,006 | 23,058 |
| Deferred tax liabilities | 26 | 1,998 | - |
| **Total non-current liabilities** | | **127,645** | **70,433** |
| **TOTAL LIABILITIES** | | **3,490,790** | **3,839,437** |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | **1,301,564** | **1,322,336** |
| Issued capital | 19 | 220,000 | 220,000 |
| Inflation adjustment on capital | 19 | 23,115 | 23,115 |
| Treasury shares (-) | 19 | (220,288) | (220,288) |
| *Other Accumulated comprehensive income (loss) that will not be reclassified in profit or loss* | | *(20,519)* | *(18,014)* |
| Gains (losses) on revaluation and remeasurement | | (20,519) | (18,014) |
| Gains (losses) on remeasurements of defined benefit plans | | (20,519) | (18,014) |
| *Other Accumulated comprehensive income (loss) that will be reclassified in profit or loss* | | *488,163* | *510,877* |
| Exchange differences on translation | 19 | *1,473* | *12,085* |
| Gains (losses) on revaluation and reclassification | | 486,690 | 498,792 |
| Gains (losses) from financial assets measured at fair value through other comprehensive income | 19 | 486,690 | 498,792 |
| Restricted reserves appropriated from profits | 19 | 460,402 | 446,297 |
| Legal reserves | | 170,419 | 156,314 |
| Treasury share reserves | | 220,288 | 220,288 |
| Other restricted profit reserves | | 69,695 | 69,695 |
| Prior years' profit or losses | 19 | 217,534 | 177,117 |
| Profit (loss) for the period | | 133,157 | 183,232 |
| **Non-controlling interests** | 19 | **6,308** | **5,109** |
| **TOTAL EQUITY** | | **1,307,872** | **1,327,445** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,798,662** | **5,166,882** |

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

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | | Audited | |
|---|---|---|---|
| | **Notes** | **2018** | **2017** |
| Revenue | 20 | 10,688,489 | 13,220,361 |
| Cost of sales | 20 | (9,387,395) | (11,919,377) |
| **GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS** | | **1,301,094** | **1,300,984** |
| **GROSS PROFIT (LOSS)** | | **1,301,094** | **1,300,984** |
| General administrative expenses | 21 | (390,634) | (414,673) |
| Marketing expenses | 21 | (401,687) | (433,374) |
| Other income from operating activities | 23.1 | 111,201 | 90,078 |
| Other expenses from operating activities | 23.2 | (93,306) | (68,981) |
| **PROFIT (LOSS) FROM OPERATING ACTIVITIES** | | **526,668** | **474,034** |
| Investment activity income | 24.1 | 55,103 | 25,602 |
| Investment activity expense | 24.2 | - | (5,288) |
| Share of profit (loss) from investments accounted for using equity method | 11 | 60,768 | 80,940 |
| **PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)** | | **642,539** | **575,288** |
| Finance income | | 14,417 | 4,106 |
| Finance costs | 25 | (508,158) | (353,265) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX** | | **148,798** | **226,129** |
| **Tax (expense) income, continuing operations** | | **(14,442)** | **(42,410)** |
| Current period tax (expense) income | 26 | (9,679) | (38,188) |
| Deferred tax (expense) income | 26 | (4,763) | (4,222) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS** | | **134,356** | **183,719** |
| **PROFIT (LOSS)** | | **134,356** | **183,719** |
| **Profit (loss), attributable to** | | | |
| Non-controlling interests | | **1,199** | **487** |
| Owners of parent | | **133,157** | **183,232** |
| **Basic earnings per share** | | | |
| Basic earnings(loss) per share from continuing operations | 27 | **0.6725** | **0.9254** |
| **Diluted earnings per share** | | | |
| Diluted earnings(loss) per share from continuing operations | 27 | **0.6725** | **0.9254** |

## CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | | Audited | |
|---|---|---|---|
| | **Notes** | **2018** | **2017** |
| **PROFIT (LOSS)** | | **134,356** | **183,719** |
| **Other comprehensive income** | | | |
| **Other comprehensive income that will not be reclassified to profit or loss** | | **(2,505)** | **(10,378)** |
| Gains (losses) on remeasurements of defined benefit plans | 16 | (3,131) | (12,972) |
| *Taxes related to components of other compherensive income that will not be reclassified to profit or loss* | | *626* | *2,594* |
| Taxes relating to measurements of defined benefit plans | 26 | 626 | 2,594 |
| **Other comprehensive income that will be reclassified to profit or loss** | | **(22,714)** | **35,405** |
| Exchange differences on translation | | (10,612) | 6,277 |
| *Other comprehensive income (loss) related with financial assets measured at fair value through other comprehensive income* | | *(12,018)* | *28,927* |
| Gains (losses) on financial assets measured at fair value through other comprehensive income | 6 | (12,018) | *28,927* |
| Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss | 11 | (685) | 1,648 |
| *Taxes relating to components of other comprehensive income that will be reclassified to profit or loss* | | *601* | *(1,447)* |
| Taxes relating to financial assets measured at fair value through other comprehensive income | 26 | 601 | (1,447) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | **(25,219)** | **25,027** |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **109,137** | **208,746** |
| **Total comprehensive income attributable to** | | | |
| Non-controlling interests | | 1,199 | 487 |
| Owners of parent | | 107,938 | 208,259 |

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

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | | | | 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) | Gains/ Losses on remeasuring of financial assets measured at fair value through other comprehensive income (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 2017** | **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** |
| Transfers | - | - | - | - | - | - | - | **237,688** | **(237,688)** | - | - | - |
| **Total comprehensive income (loss)** | - | - | - | **(10,378)** | **6,277** | **29,128** | - | - | **183,232** | **208,259** | **487** | **208,746** |
| Profit (loss) for the period | - | - | - | - | - | - | - | - | 183,232 | 183,232 | 487 | 183,719 |
| Other comprehensive income (loss) | - | - | - | (10,378) | 6,277 | 29,128 | - | - | - | 25,027 | - | 25,027 |
| Increase (decrease) through treasury shares transactions | - | - | (14) | - | - | - | 14 | (14) | - | (14) | - | (14) |
| **Balance at 31 December 2017** | **220,000** | **23,115** | **(220,288)** | **(18,014)** | **12,085** | **498,792** | **446,297** | **177,117** | **183,232** | **1,322,336** | **5,109** | **1,327,445** |
| **Balance at 1 January 2018** | **220,000** | **23,115** | **(220,288)** | **(18,014)** | **12,085** | **498,792** | **446,297** | **177,117** | **183,232** | **1,322,336** | **5,109** | **1,327,445** |
| Transfers | - | - | - | - | - | - | **14,105** | **169,127** | **(183,232)** | - | - | - |
| **Total comprehensive income (loss)** | - | - | - | **(2,505)** | **(10,612)** | **(12,102)** | - | - | **133,157** | **107,938** | **1.199** | **109,137** |
| Profit (loss) for the period | - | - | - | - | - | - | - | - | 133,157 | 133,157 | **1.199** | 134,356 |
| Other comprehensive income (loss) | - | - | - | (2,505) | (10,612) | (12,102) | - | - | - | 25,219 | - | (25,219) |
| Profit Shares | - | - | - | - | - | - | - | (143,000) | - | (143,000) | - | (143,000) |
| Increase (decrease) through treasury shares transactions | - | - | - | - | - | - | - | 14,290 | - | 14,290 | - | 14,290 |
| **Balance at 31 December 2018** | **220,000** | **23,115** | **(220,288)** | **(20,519)** | **1,473** | **486,690** | **460,402** | **217,534** | **133,157** | **1,301,564** | **6,308** | **1,307,872** |

## DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEARS ENDED 31 DECEMBER

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

| | Notes | Audited 2018 | Audited 2017 |
|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES:** | | **1,131,595** | **349,668** |
| Profit (loss) for the period | | 134,356 | 183,719 |
| ***Adjustments to for profit (loss) for the period reconciliation:*** | | **584,919** | **466,968** |
| Adjustments for depreciation and amortization expense | 12, 13, 14, 21.2, 22 | 83,157 | 82,249 |
| Adjustments for impairment loss (reversal of impairment loss) | | *(75)* | *6,932* |
| Adjustments for impairement loss (reversal of impairment loss) of receivables | 8.1 | 261 | 249 |
| Adjustments for impairment loss (reversal of impairment loss) of inventories | 10 | (336) | 518 |
| Adjustments for impairment loss (reversal of impairment loss) of property, plant and equipment | 12 | - | 6,165 |
| Adjustments for provisions | | *139,920* | *109,556* |
| Adjustments for (reversal of) provisions related with employee benefits | 16 | 12,153 | 7,003 |
| Adjustments for (reversal of) lawsuit and/or penalty provision expenses | 15.1 | 10,503 | 4,541 |
| Adjustments for (reversal of) warranty provisions | 15.1 | 117,264 | 98,012 |
| Adjustments for dividend (income) expenses | 24 | - | (8,927) |
| Adjustments for interest (income) and expense | | *452,160* | *332,363* |
| Adjustments for interest income | 25 | (14,417) | (4,106) |
| Adjustments for interest expense | 25 | 466,577 | 336,469 |
| Adjustments for unrealized foreign exchange losses (gains) equity method | | 11,186 | - |
| Adjustments for undistributed profits of investments accounted for using equity method | 11 | (60,768) | (80,940) |
| Adjustments for tax (income) expenses | 26 | 14,442 | 42,410 |
| Adjustments for losses (gains) on disposal of non-current assets | | *(26,015)* | *(16,675)* |
| Adjustments for losses (gains) from sale of tangible assets | 24 | *(26,015)* | (16,675) |
| Adjustments for losses (gains) on disposal of subsidiaries or joint operations | | (29,088) | - |
| **Changes in working capital** | | **598,769** | **(163,728)** |
| Adjustments for decrease (increase) in trade receivables | | *781,384* | *(211,898)* |
| Decrease (increase) in due from related parties | | 724,316 | (312,204) |
| Decrease (increase) in due from third parties | | 57,068 | 100,306 |
| Adjustments for decrease (increase) in inventories | | 59,784 | 225,098 |
| Adjustments for increase (decrease) in trade payables | | *(74,673)* | *(142,352)* |
| Increase (decrease) in due to related parties | | 74,969 | 5,431 |
| Increase (decrease) in due to third parties | | (149,642) | (147,783) |
| Increase (decrease) in deferred income | | (13,008) | 2,588 |
| Adjustments for other increase (decrease) in working capital | | (154,718) | (37,164) |
| **Cash flows from operations** | | **1,318,044** | **486,959** |
| Payments related with provisions for employee benefits | 16 | (11,223) | (5,906) |
| Payments related with other provisions | 15.1 | (128,254) | (95,766) |
| Income taxes refund (paid) | | (47,004) | (35,839) |
| Other cash inflows (outflows) | 8 | 32 | 220 |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | **(72,735)** | **(207,751)** |
| Cash Inflows from losing control of subsidiaries or other businesses | 11 | 1,223 | 5,880 |
| Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures | 11 | - | (4,255) |
| Proceeds from sales of property, plant, equipment and intangible assets | | *57,600* | *75,417* |
| Proceeds from sales of property, plant and equipment | | 57,600 | 75,417 |
| Purchase of property, plant, equipment and intangible assets | | *(209,521)* | *(328,346)* |
| Purchase of property, plant and equipment | 12 | (183,981) | (305,351) |
| Purchase of intangible assets | 13 | (25,540) | (22,995) |
| Dividends received | | 50,814 | 43,553 |
| Cash inflows from sale of subsidiary | | 27,149 | - |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | **(811,044)** | **(128,268)** |
| Payments to acquire entity's shares or other equity instruments | 19 | - | (14) |
| Proceeds from borrowings | | 2,563,678 | 2,745,850 |
| Repayments of borrowings | | (2,734,859) | (2,615,506) |
| Dividends paid | 19 | (143,000) | - |
| Interest paid | | (511,280) | (262,704) |
| Interest received | | 14,417 | 4,106 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)** | | **247,816** | **13,649** |
| **D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **11,691** | **3,638** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | | **259,507** | **17,287** |
| **E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | 5 | **106,385** | **89,098** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)** | 5 | **365,892** | **106,385** |

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

## 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, Scania, Scania Engines industrial and marine engine and, Thermoking climate control systems). The Company also operates in used 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 2018 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.

- 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.

(*) The transfer of the shares of the subsidiary that are owned by the Group is finalized in 27 November 2018.

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,Turkey.

Doğuş Auto Swiss  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 2018 is 907 (31 December 2017: 930) whereas the average number of white-collar employees of the Group for the year ended 31 December 2018 is 1,784 (31 December 2017: 1,851).

## 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 2017 with the decision number 30.

***(ii) Preparation and approval of financial statements***

The consolidated financial statements of the Group as at 31 December 2018 have been approved by the Board of Directors on 14 February 2019. 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. Accordingly effective from 1 January 2005, TAS 29 did not 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 financial assets measured at fair value through other comprehensive income that 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 presented in the functional currencies in their primary economic environments in which they maintain their operations. The consolidated financial statementspresented 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 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.

### 2.2 Amendments and interpretations in the TAS/TFRS

**The new standards, amendments and interpretations**

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

**i) The new standards, amendments and interpretations that are effective as at January 1, 2018 are as follows:**

***TFRS 15 Revenue from Contracts with Customers***

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018.

The impact of this standard on the financial position and the performance of the Group are as follows;

The Group has a single obligation for the sale of vehicles, spare parts and services and in line with the previous applications, sales will only be recognized as sale of goods and will be recognized when the product is delivered. Therefore, the new standard did not have a significant impact on the financial position or performance of the Group.

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

### 2.2 Amendments and interpretations in the TAS/TFRS (Continued)

***i) The new standards, amendments and interpretations that are effective as at January 1, 2018 (Continued)***

**TFRS 9 Financial Instruments**

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss because of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard did not have a significant impact on the financial position or performance of the Group.

**Classification and Measurement of Financial Assets:**

There is no significant impact on the Group's balance sheet or equity on applying the classification and measurement requirements of TFRS 9.

The Group will apply the option to present fair value changes in OCI, and, therefore, the application of TFRS 9 did not have a significant impact.

Loans as well as trade receivables held to collect contractual cash flows and expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under TFRS 9. Therefore, reclassification for these instruments is not required.

**Hedge Accounting:**

The Group determined that all existing hedge relationships that are currently designating in effective hedging relationships would continue to qualify for hedge accounting under TFRS 9. As TFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of TFRS 9 have not had a significant impact on Group's financial statements.

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

### 2.2 Changes in TAS/TFRS (Continued)

***i) The new standards, amendments and interpretations which are effective as at January 1 2018, (Continued)***

**Impairment:**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group did not have a significant impairment for loans and trade receivables.

**TFRS 4 Insurance Contracts (Amendments)**
In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**TFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

### 2.2 Changes in TAS/TFRS (Continued)

***i) The new standards, amendments and interpretations which are effective as at January 1, (Continued)***

**TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**Annual Improvements to TFRSs - 2014-2016 Cycle**

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group

**ii) Standards issued but not yet effective and not early adopted**

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

**TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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

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

### 2.2 Changes in TAS/TFRS (Continued)

#### ii) Standards issued but not yet effective and not early adopted

**TFRS 16 Leases (Continued)**

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of ’low-value’ assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group has assessed the impact of TFRS 16 on its consolidated financial statements and according to that assesment, an entity with a rate of 4% of the approximate consolidated assests in accordance with the current agreements revenues the right of use and registering the rental obligation. In this context, The Group plans to adopt IFRS 16 by applying modified retrospective approach.

**Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)**

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are effective for annual periods beginning on or after 1 January, 2019. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

### 2.2 Changes in TAS/TFRS (Continued)

**ii) Standards issued but currently noteffective and not early adopted (Continued)**

**TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2017, the POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

**TFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the the Group.

**Annual Improvements – 2015–2017 Cycle**

In December 2019, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

**2.2 Changes in TAS/TFRS (Continued)**

**ii) Standards issued but not yet effective and not early adopted (Continued)**

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)**

On January 2019, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonize accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

**Prepayment Features with Negative Compensation (Amendments to TFRS 9)**

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortized cost.
Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortized cost some prepayable financial assets with so-called negative compensation.
The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.
The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

**IFRS 17 - The new Standard for insurance contracts**

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable to the group and will not have an impact on the financial position or performance of the group.

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

### 2.2 Changes in TAS/TFRS (Continued)

**Definition of a Business (Amendments to IFRS 3)**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**Definition of Material (Amendments to IAS 1 and IAS 8)**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must applied prospectively and earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

### 2.3 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 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 acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; 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 acquirer’s identifiable net assets, which are generally at fair value.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 2.3 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 financial assets measured at fair value through other comprehensive income 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 2018** | **31 December 2017** |
|---|---|---|
| Doğuş Oto Pazarlama | 96.20% | 96.20% |
| D-Auto Limited Liability Company | 100.00% | 100.00% |
| Doğuş Auto İsviçre (*) | 99.95% | 99.95% |

(*) The transfer of the shares of the subsidiary that are owned by the Group is completed on 27 November 2018.

***(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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 2.3 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 2018 | 31 December 2017 |
|---|---|---|
| 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% |

(*) The company transferred the shares that they own by 49% that are belong to the joint venture of Meiller-Doğuş to the subsidiary of Doğus Oto Pazarlama A.Ş. at 20 July 2018. Also the other joint venture of Meiller Doğuş which is F.X Meiller Fahrzeug-und Maschinenfabrik GmbH&Co.KG has transferred 51% of it’s shares to Doğuş Pazarlama A.Ş. .Doğuş Oto Pazarlama A.Ş. took over Meiller Doğuş A.Ş. by merging at 12 November 2018.

***(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.
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 2018 | 31 December 2017 |
|---|---|---|
| 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.

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

### 2.3 Basis of Consolidation (Continued)

***(v) Transactions Eliminated in Consolidation***

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparation of 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.

### 2.4 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.

### 2.5 Comparative Information

The Group has prepared the consolidated statement of financial position as at 31 December 2018 comparatively with the consolidated statement of financial position as at 31 December 2017.

**Classifications made in the consolidated statement of financial position for the year ended 31 December 2017**

- Credit card receivables, previously presented under cash and cash equivalence amounting to TL 49,881 have been reclassified to trade receivables due from third parties.
- The Group has reassessed the expected realization period of warranty obligation and dividend determined and reclassified TL 23,058 of long-term warranty provision under other long-term provisions.

**Reclassifications made in the consolidated statement of profit or loss for the year ended 31 December 2017**

- Finance incomes, previously presented in net basis under the finance costs amounting to TL 4,106 have been reclassified and presented in gross basis under the Finance income.

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

### 2.6 Accounting Estimates

The preparation of the consolidated financial statements requires making 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 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 2.7 (Note 12 and 13).

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

### 2.6 Accounting Estimates (Continued)

The fair value of the financial assets measured at fair value through other comprehensive income 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).

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 vehicles 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 deductible temporary differences can be utilized. When taxable profit is probable, deferred tax assets recognized for all temporary differences.

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

### 2.7 Significant Accounting Policies

#### Revenue recognition

Revenue from the sales of vehicles, 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.

The Group recognize revenue in line with below mentioned principles;

(a) Identify the contract(s) with a customer
(b) Identify the separate performance obligations in the contract
(c) Determine the transaction price
(d) Allocate the transaction price to the separate performance obligations
(e) Recognise revenue when the entity satisfies a performance obligations

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

### 2.7 Significant Accounting Policies (Continued)

**Revenue recognition (continued)**

Group recognized revenue from its customers only when all of the following criterias are met:

(a) The parties to the contract have approved the contract (in writing,orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identifiy the payment terms for for the goods or services to be transferred,
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In case the Group has the right to collect a price directly corresponding to the value of the customer from the customer's completed transaction, the Group takes the revenue to the financial statements by the amount that it has the right to invoice. The Group considers that, at the beginning of the contract, the period between the date of transfer of the goods or services to the customer and the date on which the customer pays the price of such goods will be one year or less, there will be no impact of an important financing component on the price promised. Therefore, Group does not correct the accrued price

**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.

**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 "Investment activity income" or "Investment activity expense" in profit or loss.

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

### 2.7 Significant Accounting Policies (Continued)

*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 lifes 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 lifes 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.

**Intangible assets**

Intangible assets are consisted of rights and software programs. Intangible assets are measured at cost less accumulated amortization and 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 lifes 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 lifes 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)

### 2.7 Significant Accounting Policies (Continued)

#### 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 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.

#### 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 or liabilities directly associated with them) or 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 “amendments: Recognition and Measurement”.

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

### 2.7 Significant Accounting Policies (Continued)

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” ,”other receivables” and “financial investments”.

Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income. “Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

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

### 2.7 Significant Accounting Policies (Continued)

**Financial assets (Continued)**

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below ;

− 12- Month ECL: results from default events that are possible within 12 months after reporting date.

− Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not. The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

**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.

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

### 2.7 Significant Accounting Policies (Continued)

**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)**

**2.7 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  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 based on 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)

### 2.7 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 can 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)

### 2.7 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 affect 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 treated as thin capital.

The financial borrowings 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)

### 2.7 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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 have 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:

| **2018** | **Passenger segment** | **Commercial segment** | **Other segments** | **Total** |
|---|---|---|---|---|
| Revenue from external customers | 7,223,993 | 1,911,612 | 1,552,884 | 10,688,489 |
| Cost of sales | (6,595,194) | (1,733,053) | (1,059,484) | (9,387,731) |
| **Gross profit** | **628,799** | **178,559** | **493,400** | **1,300,758** |
| General administration expenses | (136,873) | (25,524) | (242,993) | (405,390) |
| Marketing expenses | (244,218) | (72,843) | (92,643) | (409,704) |
| Other income from operating activities, net | 15,110 | 1,656 | 1,129 | 17,895 |
| **Operating income** | **262,818** | **81,848** | **158,893** | **503,559** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 4 – OPERATING SEGMENTS (Continued)

| **2017** | **Passenger segment** | **Commercial segment** | **Other segments** | **Total** |
|---|---|---|---|---|
| Revenue from external customers | 9,473,119 | 2,465,633 | 1,281,611 | 13,220,363 |
| Cost of sales | (8,781,798) | (2,237,508) | (899,553) | (11,918,859) |
| **Gross profit** | **691,321** | **228,125** | **382,058** | **1,301,504** |
| General administration expenses | (151,173) | (25,998) | (257,958) | (435,129) |
| Marketing expenses | (232,771) | (83,990) | (112,080) | (428,841) |
| Other income from operating activities, net | (12,828) | (1,130) | 35,055 | 21,097 |
| **Operating income** | **294,549** | **117,007** | **47,075** | **458,631** |

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:

| | **2018** | **2017** |
|---|---|---|
| Operating profit for reportable segments | 503,559 | 458,631 |
| Provision for legal exposures | (7,530) | (2,251) |
| Provision for employee termination benefits | 5,593 | 6,849 |
| Provision for unused vacation | (3,030) | (1,368) |
| Provision for diminution in value of inventories | 336 | (518) |
| Warranty provision expense | 8,017 | (4,536) |
| Depreciation and amortization | 19,723 | 17,228 |
| Share of profit of equity accounted investees | 60,768 | 80,940 |
| Income from investment activities | 55,103 | 20,314 |
| Finance expense, net | (493,741) | (349,159) |
| Other | - | (1) |
| **Profit before tax** | **148,798** | **226,129** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 5 – CASH AND CASH EQUIVALENTS

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

| | 2018 | 2017 |
|---|---|---|
| Cash on hand | 120 | 343 |
| Cash at banks | 365,772 | 106,042 |
| - Demand deposits | 121,465 | 90,042 |
| - Time deposits/reverse repo | 244,074 | 16,000 |
| - Credit card receivables | 233 | - |
| **Total** | **365,892** | **106,385** |

As of 31 December 2018, effective interest rates in TL and Euro denominated time deposits are 15.22% and 0.8% respectively (31 December 2017: TL 6%). As of 31 December 2018, the maturity at time deposits is 2 days (31 December 2017: 4 days).

There is no blocked deposit as at 31 December 2018 and 2017.

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

## NOTE 6 – FINANCIAL INVESTMENTS

As at 31 December, financial assets measured at fair value through other comprehensive income comprise of the following:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Ownership interest (%)** | **Carrying amount** | **Ownership interest (%)** | **Carrying amount** |
| Doğuş Holding A.Ş. (“Doğuş Holding”) | 3.75 | 567,259 | 3.75 | 579,277 |
| | | **567,259** | | **579,277** |

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. The movements in financial assets measured at fair value through other comprehensive income within the period are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at 1 January | 579,277 | 550,350 |
| Change in fair value of financial assets measured at fair value through other comprehensive income | (12,018) | 28,927 |
| **Balance at 31 December** | **567,259** | **579,277** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 7 – BORROWINGS

As at 31 December, financial liabilities comprise the following:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Interest rate** | **Amount** | **Interest rate** | **Amount** |
| **Short-term bank borrowings:** | | | | |
| TL denominated interest bearing borrowings | %17.38 - %35.70 | 2,020,263 | 13.25%-17.20% | 2,841,390 |
| TL denominated non-interest bearing borrowings (*) | - | 15,122 | - | 70,436 |
| Euro denominated borrowings | 4.04%-5.41% | 615,280 | | |
| CHF denominated borrowings | - | - | 2.00%-2.60% | 48,070 |
| **Short-term bank liabilities:** | | **2,650,665** | | **2,959,896** |
| **Short-term portion of long-term borrowings:** | | | | |
| CHF denominated borrowings | - | - | 3.60% | 412 |
| TL denominated borrowings | - | - | TRLIBOR+1,75 | 3,424 |
| TL denominated borrowings | - | - | - | - |
| USD denominated borrowings | - | - | - | - |
| **Short-term portion of long-term liabilities:** | | **-** | | **3,836** |

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Interest rate** | **Amount** | **Interest rate** | **Amount** |
| **Long-term bank borrowings:** | | | | |
| TL denominated borrowings | 31.96% | 60,000 | - | - |
| CHF denominated borrowings | - | - | 3.60% | 11,106 |
| **Total long-term financial liabilities** | | **60,000** | | **11,106** |

(*) As at 31 December 2018, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 15,122 which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2017: TL 70,436).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 7 – BORROWINGS (Continued)

As at 31 December 2018, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

| Payment period | Original amount (TL) | Original amount (USD) | Original amount (CHF) | TL equivalent |
|---|---|---|---|---|
| 2018 | | | | |
| 2019 | | | | |
| 2020 and onwards | 60,000 | | | 60,000 |
| **Total** | 60,000 | | | 60,000 |

As at 31 December 2017, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

| Payment period | Original amount (TL) | Original amount (USD) | Original amount (CHF) | TL Equivalent |
|---|---|---|---|---|
| 2018 | 3,424 | - | 107 | 3,836 |
| 2018 | - | - | 104 | 402 |
| 2019 and onwards | - | - | 2,777 | 10,704 |
| **Total** | **3,424** | **-** | **2,988** | **14,942** |

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

Financial borrowings between 1 January - 31 December 2018 are summarized below:

| Bank Borrowings | Principal | Interest | Total |
|---|---|---|---|
| 1 January 2018 | 2,794,447 | 180,391 | 2,974,838 |
| Additions during the period | 2,563,678 | 466,577 | 3,030,255 |
| Paid during the period | (2,794,445) | 511,169 | (3,305,614) |
| Foreign exchange (gains) / losses | 11,186 | - | 11,186 |
| **31 December 2018** | **2,574,866** | **135,799** | **2,710,665** |

(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:

| | 2018 | 2017 |
|---|---|---|
| Trade receivables | 258,029 | 315,161 |
| Allowance for doubtful receivables (-) | (1,750) | (1,521) |
| **Total** | **256,279** | **313,640** |

As at 31 December 2018, the Group charges 4% monthly interest to the dealers regarding overdue receivables (31 December 2017: 4%).

The movement of individually impaired receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance as at 1 January | 1,521 | 1,492 |
| Additions | 430 | 327 |
| Provisions released (-) | (169) | (78) |
| Recoveries during the year | (32) | (220) |
| **Balance at 31 December** | **1,750** | **1,521** |

**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 and fleet sales. 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 and fleet customer. TL 95,655 of trade receivables due from third parties are covered via letters of guarantee (31 December 2017: TL 126,391).

As of 31 December 2018, trade receivables of the Group amounting to TL 18,165 (31 December 2017: TL 11,873) are overdue but these receivables are not considered as doubtful receivables. There is a bank guarantee letter amounting to TL 31 for the mentioned trade receivables. (31 December 2017: TL 6,105).

As at 31 December 2018, the Group's average maturity of trade receivables due from third parties is 38 days (31 December 2017: 38 days).

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

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

### 8.2 Trade Payables

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

| | **2018** | **2017** |
|---|---:|---:|
| Payables to OEM companies | 343,948 | 416,997 |
| Payables to dealers (*) | 44,803 | 104,400 |
| Other trade payables (**) | 44,076 | 66,454 |
| Other expense accrual | 1,758 | 1,076 |
| **Total** | **434,585** | **588,927** |

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 2017: 1% 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:

| | **2018** | **2017** |
|---|---:|---:|
| Warranty claims and price difference receivables (*) | 297,026 | 168,348 |
| Receivables due to insurance claims | 14,004 | 16,256 |
| Other | 11,946 | 5,297 |
| **Total** | **322,976** | **189,901** |

(*) Warranty receivables represent the receivable of the warranty expenses related to the vehicles imported by the Group. As at 31 December 2018, the other receivables that has not been billed are TL 121,688 (31 December 2017: TL 103,818).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 10 – INVENTORIES

As at 31 December, inventories comprise of the following:

| | 2018 | 2017 |
|---|---|---|
| Goods in transit (*) | 351,936 | 463,613 |
| Merchandise stocks – vehicles | 845,116 | 790,392 |
| Merchandise stocks – spare parts | 173,776 | 176,607 |
| | **1,370,828** | **1,430,612** |
| Provision for diminution in the value of inventories (-) | (4,932) | (5,268) |
| **Total** | **1,365,896** | **1,425,344** |

(*) 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 9,272,725 for the year ended 31 December 2018 (31 December 2017: TL 11,805,677)

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:

| | 2018 | 2017 |
|---|---|---|
| Balance at 1 January | 5,268 | 4,750 |
| Additions in the current period | (336) | 518 |
| **Balance at 31 December** | **4,932** | **5,268** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Ownership % | Carrying amount | Ownership % | Carrying amount |
| **Associates** | | | | |
| VDF | 48 | 132,251 | 48 | 149,402 |
| Doğuş Sigorta | 42 | 35,921 | 42 | 36,203 |
| Yüce Auto | 50 | 25,936 | 50 | 28,807 |
| VDF Servis | 38,22 | 85,788 | 38,22 | 60,497 |
| Doğuş Teknoloji | 46 | 3,372 | 46 | 6,714 |
| **Total** | | **283,268** | | **281,623** |
| **Joint ventures** | | | | |
| TÜVTURK Kuzey – Güney | 33,33 | 91,391 | 33,33 | 69,477 |
| Meiller-Doğuş (*) | 49 | - | 49 | 1,223 |
| **Total** | | **91,391** | | **70,700** |
| **Grand total** | | **374,659** | | **352,323** |

(*)The joint venture has merged with Doğuş Oto.

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

| | 2018 | 2017 |
|---|---|---|
| Balance at 1 January | 352,323 | 305,986 |
| Shares in profits of associates and joint ventures, net | 15,784 | 50,624 |
| Shares in the profits of partnerships, net | 44,984 | 30,316 |
| Change in fair value of financial assets measured at fair value through other comprehensive income held by associates | (671) | 1,730 |
| Dividend income from associates | (13,453) | (11,771) |
| Dividend income from joint ventures | (23,071) | (22,855) |
| Participation in capital increase of associates and joint ventures | - | 4,255 |
| Cash inflows caused by share sales or capital decrease of associates and / or joint ventures | - | (5,880) |
| Deferred tax effect in relation to change in fair value of financial assets measured at fair value through other comprehensive income held by associates | (14) | (82) |
| Transfer to subsidiary | (1,223) | - |
| **Balance at 31 December** | **374,659** | **352,323** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

| | 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Income | Expenses (-) | Net profit/(loss) |
| Investment in associates | 10,145,557 | 1,027,595 | 11,173,152 | 9,959,328 | 569,250 | 10,528,578 | 3,323,713 | (3,286,497) | 37,216 |
| Joint ventures | 242,907 | 825,807 | 1,068,714 | 317,002 | 473,059 | 790,061 | 2,084,108 | (1,918,979) | 165,129 |

| | 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Income | Expenses (-) | Net profit/(loss) |
| Investment in associates | 10,673,755 | 594,244 | 11,267,999 | 10,625,613 | 14,432 | 10,640,045 | 2,709,872 | (2,576,868) | 133,004 |
| Joint ventures | 176,591 | 844,982 | 1,021,573 | 258,194 | 554,366 | 812,560 | 1,709,371 | (1,607,142) | 102,229 |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

| | Cash and cash equivalents | Short-term financial liabilities | Long-term financial liabilities | Revenues | Amortization and depreciation expenses | Interest Income | Interest expense | Tax expense |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| Subsidiaries | 1,047,615 | 8,486,312 | 558,006 | 2,891,076 | (32,059) | 34,111 | 53,161 | (29,990) |
| Joint Ventures | 128,396 | 51,166 | 2,630 | 1,994,041 | (19,279) | 26,210 | (20,440) | (49,115) |
| **2017** | | | | | | | | |
| Subsidiaries | 1,384,140 | 9,497,657 | 6,485 | 2,559,847 | (31,560) | 22,469 | (53,161) | (28,563) |
| Joint Ventures | 55,070 | 56,526 | 45,163 | 1,633,922 | (14,425) | 13,603 | (15,008) | (26,317) |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the year ended 31 December 2018 are as follows:

| | 1 January 2018 | Additions | Disposals | Transfers | Subsidiary sale transaction | Foreign currency translation difference | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | | |
| Land | 293,849 | - | - | - | (8,010) | - | 285,839 |
| Land improvements | 18,019 | 543 | - | - | - | - | 18,562 |
| Buildings | 462,817 | 8,890 | (30) | 84,909 | (72,216) | - | 484,370 |
| Machinery and equipments | 71,149 | 8,960 | (730) | 934 | (13,714) | 639 | 67,238 |
| Motor vehicles | 145,326 | 98,970 | (51,640) | - | (18,375) | 151 | 174,432 |
| Furniture and fixtures | 68,062 | 5,155 | (482) | 753 | - | 488 | 73,976 |
| Leasehold improvements | 91,833 | 71 | (28) | 24,839 | - | 7,215 | 123,930 |
| Constructions in progress | 55,725 | 56,803 | - | (111,649) | - | - | 879 |
| | **1,206,780** | **179,392** | **(52,910)** | **(214)** | **(112,315)** | **8,493** | **1,229,226** |
| ***Accumulated depreciation:*** | | | | | | | |
| Land improvements | (12,251) | (709) | - | - | - | - | (12,960) |
| Buildings | (53,486) | (8,351) | 2 | - | 12,881 | - | (48,954) |
| Machinery and equipments | (38,368) | (5,646) | 280 | - | 10,628 | (276) | (33,382) |
| Motor vehicles | (41,586) | (30,271) | 20,681 | - | 2,881 | (106) | (48,401) |
| Furniture and fixtures | (38,178) | (8,771) | 349 | - | - | (415) | (47,015) |
| Leasehold improvements | (47,563) | (6,865) | 12 | - | - | (1,720) | (56,136) |
| | **(231,432)** | **(60,613)** | **21,324** | **-** | **26,390** | **(2,517)** | **(246,848)** |
| **Carrying amount** | **975,348** | | | | | | **982,378** |

For the year ended 31 December 2018, current year depreciation expense amounting to TL 60,614 is included in general administrative expenses in the consolidated statement of profit or loss (31 December 2017: TL 63,894).

As at 31 December 2018, the lien on the lands have been abolished for the loans received by the Group and the lien on the buildings are TL 277,288 (31 December 2017: 70,000 TL and lien on buildings).

As at 31 December 2018, capitalized borrowing costs amounting to TL 53,970 (31 December 2017: TL 40,835).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property, plant and equipment and related accumulated depreciation for the year ended 31 December 2017 are as follows:

| | 1 January 2017 | Additions | Disposals | Transfers | Transfers to investment property | Impairment | Foreign currency translation difference | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | | | |
| Land | 202,200 | 125,756 | - | (34,958) | - | - | 851 | 293,849 |
| Land improvements | 16,951 | 368 | (191) | 891 | - | - | - | 18,019 |
| Buildings | 355,931 | 65,388 | - | 35,700 | (1,870) | - | 7,668 | 462,817 |
| Machinery and equipments | 68,459 | 4,110 | (3,016) | 41 | - | - | 1,555 | 71,149 |
| Motor vehicles | 157,292 | 67,473 | (81,445) | - | - | - | 2,006 | 145,326 |
| Furniture and fixtures | 63,842 | 5,777 | (3,195) | 1,555 | - | - | 83 | 68,062 |
| Leasehold improvements | 90,767 | - | (2,329) | 2,170 | - | - | 1,225 | 91,853 |
| Constructions in progress | 15,393 | 46,184 | - | (5,852) | - | - | - | 55,725 |
| | **970,835** | **315,056** | **(90,176)** | **(453)** | **(1,870)** | **-** | **13,388** | **1,206,780** |
| ***Accumulated depreciation:*** | | | | | | | | |
| Land improvements | (11,605) | (653) | 7 | - | - | - | - | (12,251) |
| Buildings | (42,448) | (9,835) | - | - | - | - | (1,203) | (53,486) |
| Machinery and equipments | (33,818) | (6,076) | 2,642 | - | - | - | (1,116) | (38,368) |
| Motor vehicles | (35,322) | (29,617) | 23,677 | - | - | - | (324) | (41,586) |
| Furniture and fixtures | (32,355) | (8,584) | 2,819 | - | - | - | (58) | (38,178) |
| Leasehold improvements | (34,322) | (9,129) | 2,289 | - | - | (6,165) | (236) | (47,563) |
| | **(189,870)** | **(63,894)** | **31,434** | **-** | **-** | **(6,165)** | **(2,937)** | **(231,432)** |
| **Carrying amount** | **780,965** | | | | | | | **975,348** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 13 – INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortization during the year ended 31 December 2018 are as follows:

| | 1 January 2018 | Additions | Disposals | Transfers | 31 December 2018 |
|---|---|---|---|---|---|
| ***Cost:*** | | | | | |
| Rights and software | 108,948 | 25,540 | (1,611) | 214 | 133,091 |
| | **108,948** | **25,540** | **(1,611)** | **214** | **133,091** |
| ***Accumulated amortization:*** | | | | | |
| Rights and software | (77,217) | (22,131) | 1,611 | - | (97,737) |
| | **(77,217)** | **(22,131)** | **1,611** | **-** | **(97,737)** |
| **Carrying amount** | **31,731** | | | | **35,354** |

Total amortization expense amounting to TL 22,131 (31 December 2017: TL 17,942) for the year ended 31 December 2018 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 2017 are as follows:

| | 1 January 2017 | Additions | Disposals | Transfers | 31 December 2017 |
|---|---|---|---|---|---|
| ***Cost:*** | | | | | |
| Rights and software | 85,785 | 22,995 | (284) | 452 | 108,948 |
| | **85,785** | **22,995** | **(284)** | **452** | **108,948** |
| ***Accumulated amortization:*** | | | | | |
| Rights and software | (59,559) | (17,942) | 284 | - | (77,217) |
| | **(59,559)** | **(17,942)** | **284** | **-** | **(77,217)** |
| **Carrying amount** | **26,226** | | | | **31,731** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 14 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the year ended 31 December 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Cost:** | | |
| 1 January | **22,540** | 20,670 |
| Additions from property and equipment | **-** | 1,870 |
| **31 December** | **22,540** | **22,540** |
| **Accumulated depreciation** | | |
| 1 January | (1,274) | (861) |
| Depreciation for the period | (413) | (413) |
| **31 December** | **(1,687)** | **(1,274)** |
| **Net book value as of 1 January** | **21,266** | **19,809** |
| **Net book value as of 31 December** | **20,853** | **21,266** |

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 December 2018. As of 31 December 2017, the fair value of the building amounts to TL 28,500 (Level 2).

The useful life of the building that is classified as investment property is 50 years. The Group has recognized TL 1,181 rent income from the related investment property in 2018 (2017 : TL 1,194).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### 15.1 Short-Term Provisions

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

| | 2018 | 2017 |
|---|---|---|
| Warranty provisions | 16,356 | 23,058 |
| Legal provisions | 27,748 | 20,218 |
| **Total** | **44,104** | **45,539** |

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

| | 2018 | 2017 |
|---|---|---|
| Warranty provisions | 24,006 | 23,058 |
| **Total** | **24,006** | **23,058** |

The movements of provisions during the year are as follows:

| | Balance at 1 January 2018 | Provision set during the year | Provisions no longer required | Paid during the year | Balance at 31 December 2018 |
|---|---|---|---|---|---|
| Legal provisions | 20,218 | 11,597 | (1,094) | (2,973) | 27,748 |
| Warranty provisions (*) | 48,379 | 117,264 | - | (125,281) | 40,362 |
| **Total** | **68,597** | **128,861** | **(1,094)** | **(128,254)** | **68,110** |

| | Balance at 1 January 2017 | Provision set during the year | Provisions no longer required | Paid during the year | Balance at 31 December 2017 |
|---|---|---|---|---|---|
| Legal provisions | 17,967 | 5,449 | (908) | (2,290) | 20,218 |
| Warranty provisions (*) | 43,843 | 98,012 | - | (93,476) | 48,379 |
| **Total** | **61,810** | **103,461** | **(908)** | **(95,766)** | **68,597** |

(*) Warranty expenses which paid during the year regarding with the warranty provisions, also include revenues from spare parts sales to dealers and the movement comparise of both long term and short term warranty provisions.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 15.2 Letter of Guarantees Given, Pledges and Mortgages

As at 31 December 2018, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | | Original balances | | | |
| | Total TL equivalent | Full TL | Full USD | Full Euro | Full CHF |
| A. Total amount of GPM given on behalf of own legal personality | 2,886,990 | 152,044,910 | - | 453,706,900 | - |
| B. Total amount of GPM given in favor of partnerships which is consolidated | 45,210 | - | - | 7,500,000 | - |
| 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** | **2,932,200** | **152,044,910** | **-** | **461,206,900** | **-** |

Other GPMs given by the Group as at 31 December 2018 are equivalent to 0% of the Company's equity (31 December 2017: 0%).

As at 31 December 2018, GPM amounting to TL TL 45,210 (31 December 2017: TL 70,708) was given in favor of associates within the scope of consolidation is related to general loan agreements.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

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

As at 31 December 2017, the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | | Original balances | | | |
| | Total TL equivalent | Full TL | Full USD | Full Euro | Full CHF |
| A. Total amount of GPM given on behalf of own legal personality | 1,671,009 | 135,399,965 | - | 335,806,625 | 5,000,000 |
| B. Total amount of GPM given in favor of partnerships which is consolidated | 70,708 | - | - | 2,000,000 | 16,000,000 |
| 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** | **1,741,717** | **135,399,965** | **-** | **337,806,625** | **21,000,000** |

### 15.3 Letter of Guarantees and Sureties Received

***Letter of Guarantees Received***

| | 2018 | 2017 |
|---|---|---|
| Letter of guarantees received from fleet customers | 27,333 | 69,805 |
| Letters of guarantees received from fixed asset and service suppliers | 37,527 | 43,953 |
| Letters of guarantees received from dealers | 127,606 | 28,784 |
| **Total** | **192,466** | **142,542** |

### 15,4 Operating Leases

| | 2018 | 2017 |
|---|---|---|
| 2018 | - | 42,141 |
| 2019 | 53,756 | 24,211 |
| 2020 | 38,110 | 19,615 |
| 2021 and onwards | 62,003 | 45,969 |
| **Total** | **153,869** | **131,936** |

The operational lease liability amounting to TL 75,775 is related to operational lease contracts signed with Group's related parties (31 December 2017: TL 40,476). Group presented the assessment of the new standarts,which will be effective as of 1 January 2019, under note 2.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 16 – EMPLOYEE BENEFITS

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

| | 2018 | 2017 |
|---|---|---|
| Provision for unused vacation | 10,564 | 7,534 |
| Provision for employee termination benefits | 28,588 | 27,557 |
| **Total** | **39,152** | **35,091** |

The movements of provision for unused vacation for the year ended 2018 and 2017 are as follows:

| | Balance at 1 January 2018 | Provision set during the year | Provisions no longer required | Paid during the year | Balance at 31 December 2018 |
|---|---|---|---|---|---|
| Unused vacation liability provision | 7,534 | 5,056 | - | (2,026) | 10,564 |
| **Total** | **7,534** | **5,056** | - | **(2,026)** | **10,564** |

| | Balance at 1 January 2017 | Provision set during the year | Provisions no longer required | Paid during the year | Balance at 31 December 2017 |
|---|---|---|---|---|---|
| Unused vacation liability provision | 6,166 | 2,627 | - | (1,259) | 7,534 |
| **Total** | **6,166** | **2,627** | - | **(1,259)** | **7,534** |

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:

| | 2018 | 2017 |
|---|---|---|
| Inflation rate | 12.27% | 6.05% |
| Discount rate | 3.69% | 3.95% |
| Turnover rate to estimate the probability of retirement | 9.12% | 7.91% |

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 5,434.42 full has been taken into consideration in calculating the provision (31 December 2017: TL : 4,732.48 full). The movements in the provision for employee termination benefits for the years ended 31 December are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at 1 January | 27,557 | 14,856 |
| Interest cost | 4,525 | 1,521 |
| Current service cost | 2,572 | 2,855 |
| Actuarial losses | 3,131 | 12,972 |
| Paid during the year (-) | (9,197) | (4,647) |
| **Balance at 31 December** | **28,588** | **27,557** |

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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 17 – PREPAYMENTS / DEFERRED INCOME / OTHER CURRENT ASSETS

### 17.1 Short-Term Prepayments

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

| | 2018 | 2017 |
|---|---|---|
| Prepaid expenses | 23,396 | 24,901 |
| Advances given | 2,557 | 3,647 |
| **Total** | **25,953** | **28,548** |

### 17.2 Long-Term Prepayments

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

| | 2018 | 2017 |
|---|---|---|
| Advances given for property and equipment purchases | 337 | 2,385 |
| Prepaid expenses | - | 8,223 |
| **Total** | **337** | **10,608** |

### 17.3 Deferred Income

As at 31 December 2018 deferred income comprise of the advances received from customers amounting to TL 10,281 (31 December 2017: TL 19,690), credit notes received from OEM amounting to TL 2,162 (31 December 2017: TL 2,761), and other deferred income amounting to TL 5,882 (31 December 2017: TL 10,193).

### 17.4 Other Current Assets

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

| | 2018 | 2017 |
|---|---|---|
| Deferred VAT | 56,249 | 16,886 |
| Other | 1,461 | 1,543 |
| **Toplam** | **57,710** | **18,429** |

## NOTE 18 – OTHER CURRENT LIABILITIES

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

| | 2018 | 2017 |
|---|---|---|
| VAT payable | 73,596 | 61,432 |
| Expense accruals | 288 | 1,683 |
| **Total** | **73,884** | **63,115** |

## NOTE 19 – EQUITY

### Issued Capital

As at 31 December 2018, the registered capital of the Company is TL 220,000 (31 December 2017: TL 220,000). The paid-in share capital of the Company comprises of 220.000.000 units of registered shares with a nominal value of TL 1 full 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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 19 – EQUITY (Continued)

### Issued Capital (Continued)

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Shareholders** | **TL** | **Shareholding (%)** | **Shareholding (%)** | **TL** |
| Doğuş Holding | 98,947 | 44,98 | 98,947 | 44,98 |
| Doğuş Araştırma Geliştirme ve Müşavirlik A.Ş. | 66,638 | 30,29 | 66,638 | 30,29 |
| Doğuş Otomotiv Servis ve Ticaret A.Ş. (*) | 22,000 | 10,00 | 22,000 | 10,00 |
| Publicly traded (*) | 32,415 | 14,73 | 32,415 | 14,73 |
| **Paid-in capital** | **220,000** | **100,00** | **220,000** | **100,00** |
| Inflation adjustment difference | 23,115 | | 23,115 | |
| **Total** | **243,115** | | **243,115** | |

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

### Restricted reserves appropriated from profits

The breakdown of restricted reserves is presented below:

| | **2018** | **2017** |
|---|---|---|
| Treasury share reserves | 220,288 | 220,288 |
| Legal reserves | 170,419 | 156,314 |
| Special reserves | 69,695 | 69,695 |
| **Total** | **460,402** | **446,297** |

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  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. In Accordance with CMB Regulations, legal reserves shall  presented under "restricted reserves appropriated from profits". As at 31 December 2018, the legal reserves of the Group amounted to TL 170,419 (31 December 2017: TL 156,314).

The 75% portion of gains amounting to TL 19,981 and TL 49,256 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 2018, the special reserves of the Group amounted to TL 69,695 (31 December 2017: TL 69,695).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 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 2018, retained earnings are TL 217,534 (31 December 2017: TL177.117).

| | | 2018 | |
|---|---|---|---|
| | **Extraordinary reserves** | **Profits/(loss) brought forward** | **Retained earnings/ (accumulated losses)** |
| Balance at 1 January | **-** | **177,117** | **177,117** |
| Transfer of 2017 profit | - | 183,232 | 183,232 |
| Dividend payment | - | (143,000) | (143,000) |
| Transfer to reserves | - | (14,105) | (14,105) |
| Transfer to reverse related treasury shares | - | 14,290 | 14,290 |
| Balance at 31 December | **-** | **217,534** | **217,534** |

| | | 2017 | |
|---|---|---|---|
| | **Extraordinary reserves** | **Profits/(loss) brought forward** | **Retained earnings/ (accumulated losses)** |
| Balance at 1 January | - | (60,557) | (60,557) |
| Transfer of 2016 profit | - | 237,688 | 237,688 |
| Transfer to reverse related treasury shares | - | (14) | (14) |
| Balance at 31 December | **-** | **177,117** | **177,117** |

### Gains (Losses) on remeasuring of financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are recognized in consolidated financial statements at their fair values. The valuation differences realized at the reporting date in carrying amount of the financial assets is recognized in "gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income" account under equity in the consolidated financial statements. As at 31 December 2018, gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income of the Group amounted to TL 486,690 (31 December 2017: TL 498,792).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018, the foreign currency translation differences of the Group amounted to TL 1,473 (31 December 2017: 12,085).

### 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 financial statements.

In the General Assembly Meeting which was held on 29 March 2018, 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 amounting to TL 143,000 that was paid on 25 May 2018 and The Group has retained the remaining distributable profit amounting to TL 13,200 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 2018 and 2017, the related amounts in the "non-controlling interests" in the consolidated financial statements are TL 6,308 and TL 5,109 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:

| | **2018** | **2017** |
|---|---|---|
| Vehicle sales | 9,606,478 | 12,377,864 |
| Spare part sales | 1,709,641 | 1,374,868 |
| Service sales | 124,111 | 121,574 |
| Sales return (-) | (34,626) | (29,834) |
| Sales discounts (-) | (717,115) | (624,111) |
| **Net sales** | **10,688,489** | **13,220,361** |
| Cost of sales | (9,387,395) | (11,919,377) |
| **Gross profit** | **1,301,094** | **1,300,984** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 21 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

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

| | 2018 | 2017 |
|---|---|---|
| General administration expenses | 390,634 | 414,673 |
| Marketing expenses | 401,687 | 433,374 |
| **Total** | **792,321** | **848,047** |

### 21,1 Marketing Expenses

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

| | 2018 | 2017 |
|---|---|---|
| Warranty expenses, net | 117,265 | 98,012 |
| Distribution expenses | 98,935 | 113,631 |
| Personnel expenses | 83,519 | 94,091 |
| Advertising expenses | 65,265 | 93,211 |
| Rent expense | 20,280 | 13,309 |
| Support expenses | 6,830 | 10,658 |
| Customer service expenses | 9,593 | 10,462 |
| **Total** | **401,687** | **433,374** |

### 21.2 General Administrative Expenses

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

| | 2018 | 2017 |
|---|---|---|
| Personnel expenses | 160,095 | 193,311 |
| Depreciation and amortization expenses | 83,157 | 82,249 |
| Building expenses | 32,793 | 30,440 |
| Maintenance expenses | 21,269 | 18,030 |
| Consultancy expense | 18,921 | 12,770 |
| Vehicle expenses | 17,934 | 13,027 |
| Rent expenses | 10,363 | 13,576 |
| Litigation and indemnity expenses | 10,134 | 4,131 |
| Insurance expenses | 7,523 | 7,119 |
| Traveling expenses | 5,270 | 7,730 |
| Taxes and duties | 4,542 | 3,306 |
| Corporate governance expenses | 4,493 | 8,360 |
| Communication expenses | 2,681 | 3,105 |
| Donation expenses | 1,162 | 1,681 |
| Other | 10,297 | 15,838 |
| **Total** | **390,634** | **414,673** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 22 – EXPENSES BY NATURE

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

| | 2018 | 2017 |
|---|---:|---:|
| Cost of trade goods | 9,272,725 | 11,805,577 |
| Personnel expenses | 243,614 | 287,402 |
| Warranty expenses, net | 117,265 | 98,012 |
| Service costs | 114,670 | 113,800 |
| Distribution expenses | 98,935 | 113,631 |
| Depreciation and amortization expenses | 83,157 | 82,249 |
| Advertisement and promotion expenses | 65,265 | 93,211 |
| Building expenses | 32,793 | 30,440 |
| Rent expenses | 30,643 | 26,885 |
| Maintenance expenses | 21,269 | 18,030 |
| Vehicle expenses | 17,934 | 13,027 |
| Consultancy expenses | 18,921 | 12,770 |
| Travelling expenses | 5,270 | 7,730 |
| Other | 57,255 | 64,660 |
| **Total** | **10,179,716** | **12,767,424** |

## 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:

| | 2018 | 2017 |
|---|---:|---:|
| Commission income | 43,395 | 31,623 |
| Service income | 36,791 | 39,044 |
| Foreign exchange gains other than financing activities, net | 9,830 | 5 |
| Insurance damage income | 4,235 | 4,759 |
| Other | 16,950 | 14,623 |
| **Total** | **111,201** | **90,078** |

### 23.2 Other Expense from Operating Activities

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

| | 2018 | 2017 |
|---|---:|---:|
| Commission expense | 37,511 | 22,423 |
| After sales expenses | 18,659 | 16,523 |
| Service expenses | 13,663 | 12,879 |
| Interest expense, net | 7,476 | 5,936 |
| Insurance damage expenses | 3,723 | 3,020 |
| Destruction expenses | 4,262 | 2,513 |
| Other foreign exchange losses other than financing activities, net | 945 | 821 |
| Other | 7,067 | 4,866 |
| **Total** | **93,306** | **68,981** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 24 – INVESTMENT ACTIVITY INCOME AND EXPENSE

### 24.1 Investment activity income

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

| | 2018 | 2017 |
|---|---|---|
| Gain on sale of property and equipment | 26,015 | 16,675 |
| Subsidiary sales profit* | 25,090 | |
| Business combination that does not result in loss of control** | 3,998 | |
| Dividend income | - | 8,927 |
| **Total** | **55,103** | **25,602** |

(*) On 27 November 2018, the Group sold shares of its subsidiary Doğuş Auto Switzerland.

(**) The Company, which owns 49% of the total capital of Meiller-Doğuş, has transferred its shares to Doğuş Oto, a subsidiary of Doğuş Oto, as of 20 July 2018, on 12 November 2018 with Doğuş Oto Pazarlama A.Ş. and Meiller, with 100% of its shares, took over Doğuş.

### 24.2 Investment activity expense

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

| | 2018 | 2017 |
|---|---|---|
| Foreign currency translation difference | | 5,288 |
| **Toplam** | **-** | **5,288** |

## NOTE 25 – FINANCE EXPENSES

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

| | 2018 | 2017 |
|---|---|---|
| Interest expense on borrowings | 466,577 | 336,469 |
| Commission expenses on letters of guarantee | 24,025 | 8,845 |
| Foreign exchange losses on borrowings, net | 11,078 | 86 |
| Other | 6,478 | 7,865 |
| **Total** | **508,158** | **353,265** |

Financing revenues for the years ended 31 December are as follows:

| | 2018 | 2017 |
|---|---|---|
| Interest Revenue | 14,417 | 4,106 |
| **Total** | **14,417** | **4,106** |

## 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. According toly 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 22% for 2018(will be applied as 22% for 2019 and 2020 tax periods) 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 2018, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2017: 15%). According to Iraq tax laws, losses can be carried forward for offsetting against future taxable income for up to 5 years unless if it is not exceeded by the half of the income for each year.

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 do not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income (will be applied as 22% for 2019 and 2020 tax periods). 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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

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 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:

| | 2018 | 2017 |
|---|---|---|
| Current tax expense | (9,679) | (38,188) |
| Deferred tax income / (expense) | (4,763) | (4,222) |
| **Total tax expense** | **(14,442)** | **(42,410)** |

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:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Profit before tax | | 148,798 | | 226,129 |
| Income tax using the Company’s domestic tax rate | (22%) | (32,736) | (20%) | (45,226) |
| Disallowable expenses | (1%) | (1,968) | (4%) | (8,302) |
| Share of profit in equity accounted investees exempt from deferred tax calculation | 9% | 13,369 | 7% | 16,188 |
| Reversal of deferred tax asset recognized in previous years (*) | - | - | (3%) | (7,484) |
| Tax exempt income | 3% | 5,096 | 1% | 1,771 |
| Other | 1% | 1,797 | 1% | 643 |
| **Total tax expense** | **(10%)** | **(14,442)** | **(19%)** | **(42,410)** |

(*) In 2017, The Group management estimate that the deferred tax asset recognized from carried forward tax losses from its subsidiary D-Auto Suisse SA, located in Switzerland, will not utilized.

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 22% for deferred tax assets and liabilities on temporary differences. Since the applicable tax rate has changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2018 for the temporary differences expected to be realized within 2 years (for the years 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized after 2020. (31 December 2017: 20%).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** |
| Fair value change of financial assets measured at fair value through other comprehensive income | - | - | (21,858) | (22,459) | (21,858) | (22,459) |
| Land | - | - | (1,393) | (1,393) | (1,393) | (1,393) |
| Carry forward tax losses (*) | | - | - | | - | |
| Other tangible and intangible assets | - | 3,196 | (1,290) | - - | (1,290) | 3,196 |
| Warranty provision, net | 8,880 | 9,767 | - | - | 8,880 | 9,767 |
| Legal provision | 5,741 | 4,065 | - | - | 5,741 | 4,065 |
| Provision for diminution in value of inventories | 1,085 | 1,291 | - | - | 1,085 | 1,291 |
| Employee termination benefit | 5,989 | 5,555 | - | - | 5,989 | 5,555 |
| Unused vacation liability | 2,200 | 1,522 | - | - | 2,200 | 1,522 |
| Other | - | - | (1,352) | (6) | (1,352) | (6) |
| Total deferred tax asset/(liabilities) | 23,895 | 25,396 | (25,893) | (23,858) | (1,998) | 1,538 |
| Net off tax | (23,895) | (23,858) | 23,895 | 23,858 | - | - |
| **Total deferred tax assets/(liabilities)** | | **1,538** | **(1,998)** | **-** | **(1,998)** | **1,538** |

(*) The Group management estimate that the deferred tax asset recognized from carried forward tax losses from its subsidiary D-Auto Suisse SA, located in Switzerland, will not be utilized.

The movements in temporary differences as at 31 December 2018 are as follows:

| | **1 January 2018** | **Recognized in the profit or loss** | **Recognized in other comprehensive income** | **31 December 2018** |
|---|---|---|---|---|
| Fair value change of financial assets measured at fair value through other comprehensive income | (22,459) | - | 601 | (21,858) |
| Land | (1,393) | - | - | (1,393) |
| Other tangible and intangible assets | 3,196 | (4,486) | - | (1,290) |
| Warranty provision, net | 9,767 | (887) | - | 8,880 |
| Legal provision | 4,065 | 1,676 | - | 5,741 |
| Provision for diminution in value of inventories | 1,291 | (206) | - | 1,085 |
| Employee termination benefit | 5,555 | (192) | 626 | 5,989 |
| Unused vacation liability | 1,522 | 678 | - | 2,200 |
| Other | (6) | (1,346) | - | (1,352) |
| | **1,538** | **(4,763)** | **1,227** | **(1,998)** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 26 – TAX ASSET AND LIABILITIES (Continued)

### Deferred taxes (Continued)

The movements in temporary differences as at 31 December 2017 are as follows:

| | 1 January 2017 | Recognized in the profit or loss | Recognized in other comprehensive income | 31 December 2017 |
|---|---|---|---|---|
| Fair value change of financial assets measured at fair value through other comprehensive income | (21,012) | - | (1,447) | (22,459) |
| Land | (1,270) | (123) | - | (1,393) |
| Carry forward tax losses | 7,485 | (7,485) | - | - |
| Other tangible and intangible assets | 1,848 | 1,348 | - | 3,196 |
| Warranty provision, net | 8,769 | 998 | - | 9,767 |
| Legal provision | 3,594 | 471 | - | 4,065 |
| Provision for diminution in value of inventories | 950 | 341 | - | 1,291 |
| Employee termination benefit | 2,972 | (11) | 2,594 | 5,555 |
| Unused vacation liability | 1,234 | 288 | - | 1,522 |
| Other | 43 | (49) | - | (6) |
| | **4,613** | **(4,222)** | **1,147** | **1,538** |

As at 31 December 2018, current income tax liabilities amounting to TL 3,235 (31 December 2017: TL 5,827) is comprised by tax provision for the year ended 31 December 2017.

As at 31 December, the current income tax asset of the Group is TL 35,178 TL. (31 Aralık 2017:445 TL).

## 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:

| | 2018 | 2017 |
|---|---|---|
| Net profit attributable to the equity holders of the Company | 133,157 | 183,232 |
| Number of basic shares | 198.000.000 | 198.000.000 |
| **Basic/diluted earnings per share (in full TL)** | **0.6725** | **0.9254** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

#### *28.1.1 Trade receivables from associates*

| | 2018 | 2017 |
|---|---|---|
| VDF | 2,495 | 658 |
| Yüce Auto | 1,920 | 2,913 |
| Other | 2 | 2 |
| **Total** | **4,417** | **3,573** |

#### *28.1.2 Trade receivables from business partnerships*

| | 2018 | 2017 |
|---|---|---|
| Tüvtürk | 1 | 1 |
| **Total** | **1** | **1** |

#### *28.1.3 Trade receivables from other related parties*

| | 2017 | 2017 |
|---|---|---|
| VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring") | 380,746 | 1,106,520 |
| VDF Sigorta Aracılık Hizmetleri A.Ş. | 1,459 | 1,290 |
| VDF Filo Kiralama A.Ş. | 135 | 89 |
| Other | 115 | 103 |
| **Total** | **382,455** | **1,108,002** |

#### *28.1.4 Ortaklardan alacaklar*

| | 2017 | 2017 |
|---|---|---|
| Doğuş Holding | 387 | - |
| **Total** | **387** | **-** |
| | | |
| **General Total** | **387,259** | **1,111,575** |

As of 31 December 2018, the Group imposes 1% interest charge on the receivables from related parties (31 December 2017: 1% per month).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 28.2 Short-term prepaid expenses to related parties

#### *28.2.1 Current prepayments due from related parties*

| | 2018 | 2017 |
|---|---|---|
| Pozitif Arena Salon İşletmeleri A.Ş. | 5,032 | 4,132 |
| Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş. | 467 | 411 |
| VDF Sigorta Aracılık Hizmetleri A.Ş. | - | 187 |
| Other | 1,470 | 3,004 |
| **Total** | **6,969** | **7,734** |

#### *28.2.2 Advances given to other related parties*

| | 2018 | 2017 |
|---|---|---|
| Antur Turizm A.Ş | 92 | 402 |
| **Total** | **92** | **402** |
| **Grand Total** | **7,061** | **8,136** |

### 28.3 Long-term prepaid expenses to related parties

#### *28.3.1 Long-term expenses for the coming years*

| | 2018 | 2017 |
|---|---|---|
| Pozitif Arena Salon İşletmeleri A.Ş. | 94 | 64 |
| Doğuş Teknoloji | 18 | - |
| **Total** | **112** | **64** |
| **Grand Total** | **112** | **64** |

### 28.4 Trade Payables to Related Parties

#### *28.4.1 Trade Payables to associates*

| | 2018 | 2017 |
|---|---|---|
| Yüce Auto | 46,947 | 23,434 |
| Volkswagen Doğuş Finansman | 65,642 | 7,700 |
| Doğuş Teknoloji | 3,072 | 4,339 |
| **Total** | **115,661** | **35,473** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### *28.4.2 Trade payables to other related parties*

| | 2018 | 2017 |
|---|---|---|
| Antur Turizm A.Ş. | 724 | 2,423 |
| Doğuş Yayın Grubu A.Ş. | 184 | 66 |
| VDF Filo Kiralama A.Ş. | 110 | 14 |
| VDF Sigorta Aracılık Hizmetleri A.Ş. | 13 | |
| Doğuş Enerji Toptan Elektrik Ticaret A.Ş. | - | 651 |
| Other | 1,748 | 3,083 |
| **Total** | **2,779** | **6,237** |

### *28.4.3 Trade Payables to shareholders*

| | 2018 | 2017 |
|---|---|---|
| Doğuş Holding | 1,147 | 2,908 |
| **Total** | **1,147** | **2,908** |
| **Grand Total** | **119,587** | **44,618** |

### 28.5 Current deferred income from related parties

| | 2018 | 2017 |
|---|---|---|
| Pozitif Arena Konser Salon İşletmeleri A.Ş. | 83 | - |
| **Total** | **83** | **-** |

### 28.6 Non-current deferred income from related parties

| | 2018 | 2017 |
|---|---|---|
| Pozitif Arena Konser Salon İşletmeleri A.Ş. | 94 | - |
| **Total** | **94** | **-** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 28.7 Related Party Transactions

#### *28.7.1 Associates*

| | 2018 | 2017 |
|---|---|---|
| **Sales and other income generating transactions:** | | |
| Other income | 30,328 | 26,677 |
| Sale of products and returns, net | 19,140 | 7,764 |
| Sale of services, net | 454 | 263 |
| Finance income | - | - |
| **Total** | **49,922** | **34,704** |

| **Purchases and expenses incurring transactions:** | **2018** | **2017** |
|---|---|---|
| Inventory purchase | 393,799 | 246,643 |
| Incentives for consumer loans | 157,347 | 47,955 |
| Other purchases | 44,009 | 26,466 |
| Fixed asset purchases | 23,696 | 21,913 |
| Services rendered | 13,648 | 10,393 |
| Other expenses | 288 | 28 |
| **Total** | **632,787** | **353,398** |

#### *28.7.2 Joint ventures*

| | 2018 | 2017 |
|---|---|---|
| **Sales and other income generating transactions:** | | |
| Sale of products and returns, net | 1,127 | 292 |
| Sale of service, net | 37 | 12 |
| Finance income | 4 | 1 |
| **Total** | **1,168** | **305** |

| **Purchases and expense creating transactions:** | **2018** | **2017** |
|---|---|---|
| Services purchases | 32 | 20 |
| **Total** | **32** | **20** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 28.7 Related Party Transactions

#### *28.7.3 Other related parties*

***a) Income generated from other related parties***

| | 2018 | | | |
|---|---|---|---|---|
| | **Sale of products** | **Sale of Services** | **Other income from operating activities** | **Total** |
| VDF Filo | 141,509 | 1,209 | 430 | 143,148 |
| VDF Sigorta | 26 | 7 | 7,334 | 7,367 |
| VDF Faktoring | 1 | - | - | 1 |
| Other | 1,322 | 75 | 1,636 | 3,033 |
| | **142,858** | **1,291** | **9,400** | **153,549** |

| | 2017 | | | |
|---|---|---|---|---|
| | **Sale of products** | **Sale of Services** | **Other income from operating activities** | **Total** |
| Garanti Filo Yönetim | 83,495 | 1,054 | - | 84,549 |
| VDF Filo | 151,053 | 209 | 20 | 151,282 |
| Garanti Finansal Kiralama A.Ş. | 309 | - | - | 309 |
| VDF Sigorta | 30 | 15 | 7,359 | 7,404 |
| VDF Faktoring | 5 | 2 | - | 7 |
| Other | 1,418 | 142 | 1,040 | 2,600 |
| | **236,310** | **1,422** | **8,419** | **246,151** |

***b) Expenses arising from transactions with other related parties***

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Services rendered** | **Purchase of fixed assets** | **Purchase of inventory** | **Finance expenses** | **Other purchases** | **Other expenses from operating activities** | **Total** |
| Antur Turizm | 14,254 | - | - | - | 607 | 188 | 15,049 |
| Doğuş Gayrimenkul Yatırım Ortaklığı | 22,479 | - | - | - | - | - | 22,479 |
| Doğuş Enerji | 4,635 | - | - | - | - | - | 4,635 |
| VDF Sigorta | 6 | - | - | - | 48 | 320 | 374 |
| Other | 15,033 | 164 | 12,769 | 38,527 | 1,551 | 25,287 | 93,331 |
| | **56,407** | **164** | **12,769** | **38,527** | **2,206** | **25,795** | **135,868** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 28.7 Related Party Transactions

### *28.7.3 Other related parties*

***b) ) Expenses arising from transactions with other related parties***

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Services rendered** | **Purchase of fixed assets** | **Purchase of inventory** | **Finance expenses** | **Other purchases** | **Other expenses from operating activities** | **Total** |
| Antur Turizm | 26,513 | - | - | - | 150 | 323 | 26,986 |
| Doğuş Gayrimenkul Yatırım Ortaklığı | 17,274 | - | - | - | - | - | 17,274 |
| Doğuş Enerji | 6,030 | - | - | - | - | - | 6,030 |
| VDF Sigorta | 622 | - | - | 33,188 | 8 | 1,697 | 35,515 |
| Doğuş İnşaat | 20 | - | - | - | 817 | 293 | 1,130 |
| Diğer | 8,436 | - | 1,321 | 6,587 | 445 | 7,248 | 24,037 |
| | **58,895** | **-** | **1,321** | **39,775** | **1,420** | **9,561** | **110,972** |

### *28.7.4 Transactions with shareholders*

***a) Income generated from shareholders***

| | 2018 | | | |
|---|---|---|---|---|
| | **Sale of Product** | **Sale of services** | **Income from investing activities** | **Total** |
| Doğuş Holding | 208 | 67 | - | 275 |
| | **208** | **67** | **-** | **275** |

| | 2017 | | | |
|---|---|---|---|---|
| | **Sale of Product** | **Sale of services** | **Income from investing activities** | **Total** |
| Doğuş Holding | 201 | 12 | 8,927 | 9,140 |
| | **201** | **12** | **8,927** | **9,140** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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

### 28.7 *Transactions with shareholders (Continued)*

### *28.7.4 Transactions with shareholders (Continued)*

***b) Expenses arising from transactions with shareholders***

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Services Rendered** | **Purchase of fixes asset** | **Others purchases** | **Other expense from operating activities** | **Total** |
| Doğuş Holding | 14,251 | 2 | 728 | 102 | 15,083 |
| | **14,251** | **2** | **728** | **102** | **15,083** |

| | 2017 | | | |
|---|---|---|---|---|
| | **Services Rendered** | **Purchase of fixes asset** | **Other expense from operating activities** | **Total** |
| Doğuş Holding | 9,838 | 187,685 | 3,979 | 201,502 |
| | **9,838** | **187,685** | **3,979** | **201,502** |

### 28.10 Key Management Personnel Compensation

| | **2018** | **2017** |
|---|---|---|
| Salaries and other short-term employee benefits | 37,539 | 62,545 |
| **Total** | **37,539** | **62,545** |

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 senior executive who have administrative responsibilities, for the years ended 31 December 2018 and 2017 includes salaries, health insurance and employer shares of Social Security Institution.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

| | **2018** | **2017** |
|---|---|---|
| Total financial liabilities | 2,710,665 | 2,974,838 |
| Cash and cash equivalents | (365,892) | (106,385) |
| **Total financial liabilities, net** | **2,344,773** | **2,868,453** |
| Total equity | 1,307,872 | 1,327,445 |
| **Financial liabilities/equity ratio** | **1.79** | **2.12** |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 dealers’ and other customers’ 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 | | | | |
| **31 December 2018** | **Related parties** | **Other parties** | **Related parties** | **Other parties** | **Bank deposits** | **Derivative instruments** | **Other** |
| **Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)** | 387,259 | 256,279 | - | 323,655 | 365,772 | - | - |
| - Guaranteed portion of the maximum exposure | - | 95,655 | - | - | - | - | - |
| **A.** Net carrying amount of financial assets which are neither impaired nor overdue (**) | 387,259 | 238,114 | - | 323,655 | 365,772 | - | - |
| **B.** Net carrying amount of financial assets which are overdue but not impaired (***) | - | 18,165 | - | - | - | - | - |
| **C.** Net carrying amount of impaired assets | - | - | - | - | - | - | - |
| - Past due (gross book value) | - | 1,749 | - | - | - | - | - |
| - Impairment (-) | - | (1,749) | - | - | - | - | - |
| - Guaranteed portion of net values (*) | - | - | - | - | - | - | - |
| - Not past due (gross book value) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Guaranteed portion of net values (*) | - | 95,655 | - | - | - | - | - |
| **D.** Off financial statement items with credit risks (****) | - | - | - | - | - | - | - |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 deposits | Derivative instruments | Other |
| **31 December 2017** | **Related parties** | **Other parties** | **Related parties** | **Other parties** | | | |
| **Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)** | 1,111,575 | 263,759 | - | 190,425 | 155,923 | - | - |
| - Guaranteed portion of the maximum exposure | - | 126,391 | - | - | - | - | - |
| **A.** Net carrying amount of financial assets which are neither impaired nor overdue (**) | 1,111,575 | 251,886 | - | 190,425 | 155,923 | - | - |
| **B.** Net carrying amount of financial assets which are overdue but not impaired (***) | - | 11,873 | - | - | - | - | - |
| **C.** Net carrying amount of impaired assets | - | - | - | - | - | - | - |
| - Past due (gross book value) | - | 1,521 | - | - | - | - | - |
| - Impairment (-) | - | (1,521) | - | - | - | - | - |
| - Guaranteed portion of net values (*) | - | - | - | - | - | - | - |
| - Not past due (gross book value) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Guaranteed portion of net values (*) | - | 126,391 | - | - | - | - | - |
| **D.** Off financial statement items with credit risks (****) | - | - | - | - | - | - | - |

(*) 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 2018 and 31 December 2017, 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 2018 and 31 December 2017, 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 2018 and 31 December 2017, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018** | **Trade receivables** | **Other receivables** | | | |
| Past due 1-30 days | 15,738 | - | - | - | - |
| Past due 1-3 months | 784 | - | - | - | - |
| Past due 3-12 months | 1,643 | - | - | - | - |
| Past due 1-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| Portion of assets overdue secured by guarantee etc. | 31 | - | - | - | - |

| | **Receivables** | | **Deposits on banks** | **Derivative instruments** | **Other** |
|---|---|---|---|---|---|
| **31 December 2017** | **Trade receivables** | **Other receivables** | | | |
| Past due 1-30 days | 11,394 | - | - | - | - |
| Past due 1-3 months | 479 | - | - | - | - |
| Past due 3-12 months | - | - | - | - | - |
| Past due 1-5 years | - | - | - | - | - |
| More than 5 years | - | - | - | - | - |
| Portion of assets overdue secured by guarantee etc. | 6,105 | - | - | - | - |

### *(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 2018, the Group have lines of credit amounting to Euro 692,852, USD 388,500 , CHF 5,000 and TL 3,303,772 (31 December 2017: lines of credit amounting to Euro 657,852 , USD 388,500 , CHF 5,000 and TL 3,873,722). 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 405,535 equivalent to TL 2,446,729 (31 December 2017: Euro 333,000, CHF 5,000 equivalent to TL 1,522,936) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months. The Group's credit card purchase limit amounting to TL 405,535, amounting to TL 2,446,729 are utilized (31 December 2017: TL 248,932 and 5,000 Swiss Francs, TL 1,139,750, are not used).

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018 | | | | | |
|---|---|---|---|---|---|---|
| **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 | 2,710,665 | 2,914,135 | 1,198,338 | 1,648,390 | 67,407 | - |
| Trade payables to related parties | 119,587 | 119,587 | 119,587 | - | - | - |
| Trade payables to third parties | 434,585 | 434,585 | 222,732 | 211,853 | - | - |
| Liabilities under employee benefits | 18,760 | 18,760 | 18,760 | - | - | - |
| Other current liabilities (*) | 288 | 288 | 288 | - | - | - |
| | **3,283,885** | **3,487,355** | **1,559,705** | **1,860,243** | **67,407** | **-** |

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| **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 | 2,974,838 | 3,113,582 | 1,367,859 | 1,734,519 | 11,204 | - |
| Trade payables to related parties | 44,618 | 44,618 | 44,618 | - | - | - |
| Trade payables to third parties | 588,927 | 588,927 | 243,392 | 345,535 | - | - |
| Liabilities under employee benefits | 24,602 | 24,602 | 24,602 | - | - | - |
| Other current liabilities (*) | 1,683 | 1,683 | 1,683 | - | - | - |
| **Total non-derivative financial liabilities** | **3,634,668** | **3,773,412** | **1,682,154** | **2,080,054** | **11,204** | **-** |

(*) VAT payable is excluded from other current liabilities.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018** | | |
| | **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 | (71) | 71 |
| 2- USD risk averse portion (-) | - | - |
| **3- Net USD effect (1+2)** | **(71)** | **71** |
| Assumption of devaluation/appreciation by 10% of EUR against TL | | |
| 4- Net Euro asset/liability | (61,087) | 61,087 |
| 5- Euro risk averse portion (-) | - | - |
| **6- Net Euro effect (4+5)** | **(61,087)** | **61,087** |
| **TOTAL (3+6)** | **(61,158)** | **61,158** |

| **Currency sensitivity analysis** | | |
|---|---|---|
| **31 December 2017** | | |
| | **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 | 61 | (61) |
| 2- USD risk averse portion (-) | - | - |
| **3- Net USD effect (1+2)** | **61** | **(61)** |
| Assumption of devaluation/appreciation by 10% of EUR against TL | | |
| 4- Net Euro asset/liability | 22,179 | (22,179) |
| 5- Euro risk averse portion (-) | - | - |
| **6- Net Euro effect (4+5)** | **22,179** | **(22,179)** |
| **TOTAL (3+6)** | **22,240** | **(22,240)** |

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

| | **31 December 2018** | **31 December 2017** |
|---|---|---|
| USD | 5.2609 | 3.7719 |
| EUR | 6.0280 | 4.5155 |
| CHF | 5.3352 | 3.8548 |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

### Financial instruments and capital risk management (Continued)

### *Financial risk factors (Continued)*

### *(c) Currency risk (Continued)*

As at 31 December 2018, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | | Original balances | | | |
| | **Total TL equivalent** | **USD** | **Euro** | **CHF** | **Other** |
| **Assets:** | | | | | |
| Trade receivables | 1,938 | 37 | 290 | - | - |
| Monetary financial assets | 127,031 | 44 | 21,031 | 4 | 5 |
| Other monetary assets | 532,650 | 57 | 87,411 | 1,017 | 1 |
| **Total assets** | **661,619** | **138** | **108,732** | **1,021** | **6** |
| Trade payables | 346,518 | 203 | 57,300 | 8 | - |
| Financial liabilities | 615,278 | - | 102,070 | - | - |
| Other monetary liabilities | 191 | 2 | 30 | - | - |
| **Current liabilities** | **961,987** | **205** | **159,400** | **8** | **-** |
| Financial liabilities | - | - | - | - | - |
| **Non-current liabilities** | **-** | **-** | **-** | **-** | **-** |
| **Total liabilities** | **961,987** | **205** | **159,400** | **8** | **-** |
| **Net foreign currency liability position of derivative financial liabilities off statement of financial position** | - | - | - | - | - |
| **Net foreign currency (liability)/ asset position** | **(300,368)** | **(67)** | **(50,668)** | **1,013** | **6** |
| **Monetary items net foreign (liability)/asset position** | | | | | |
| Sureties and letters of guarantee taken | 28,085 | 376 | 4,331 | - | - |
| Sureties and letters of guarantee given | 2,780,155 | - | 461,207 | - | - |
| Import | 9,715,120 | - | 1,611,665 | - | - |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

### Financial instruments and capital risk management (Continued)

### *Financial risk factors (Continued)*

### *(c) Currency risk (Continued)*

As at 31 December 2017, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | | Original balances | | | |
| | **Total TL equivalent** | **USD** | **Euro** | **CHF** | **Other** |
| **Assets:** | | | | | |
| Trade receivables | 7,668 | 1 | 351 | 1,577 | - |
| Monetary financial assets | 2,608 | 184 | 150 | 319 | 14 |
| Other monetary assets | 635,298 | 126 | 140,432 | 182 | - |
| **Total assets** | **645,574** | **311** | **140,933** | **2,078** | **14** |
| Trade payables | 418,598 | 246 | 91,704 | 928 | 1 |
| Financial liabilities | 48,482 | - | - | 12,577 | - |
| Other monetary liabilities | 8,880 | 2 | 110 | 2,173 | - |
| **Current liabilities** | **475,960** | **248** | **91,814** | **15,678** | **1** |
| Financial liabilities | 11,106 | - | - | 2,881 | - |
| **Non-current liabilities** | **11,106** | **-** | **-** | **2,881** | **-** |
| **Total liabilities** | **487,066** | **248** | **91,814** | **18,559** | **1** |
| **Net foreign currency liability position of derivative financial liabilities off statement of financial position** | - | - | - | - | - |
| **Net foreign currency (liability)/ asset position** | **158,508** | **63** | **49,119** | **(16,481)** | **13** |
| **Monetary items net foreign (liability)/asset position** | | | | | |
| Sureties and letters of guarantee taken | 27,980 | 79 | 6,131 | - | - |
| Sureties and letters of guarantee given | 1,606,317 | - | 337,807 | 21,000 | - |
| Import | 11,014,662 | - | 2,439,301 | - | - |

As at 31 December 2018, goods-in-transit of the Group amount to Euro 58,384 equivalent to TL 351,936 (31 December 2017: Euro 102,671 equivalent to TL 463,613).

## 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 2018, all other variables held constant, the Group's equity would have been increased/decreased by TL 4,824 (31 December 2017: TL 8,857).

***(e) Interest rate risk***

As of 31 December 2018 and 31 December 2017, the Group does not have any floating interest rate loans.

***(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. Some of long-term borrowings, denominated in foreign currency and TL are assumed to reflect their fair value due to their floating rates. Long-term and fixed rate borrowings are considered to converge to its fair value, when it is valued with fixed interest rate valid as of the balance sheet date.

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 whom 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 that 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.

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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 2018 | Loans and receivables | Financial assets measured at fair value through other comprehensive income | Financial liabilities at amortized cost | Net carrying amount | Fair value | Note |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and cash equivalents | 365,892 | - | | 365,892 | 365,892 | 5 |
| Financial investments | - | 567,259 | | 567,259 | 567,259 | 6 |
| Trade receivables from third parties | 256,279 | - | | 256,279 | 256,279 | 8 |
| Other receivables from third parties | 323,655 | - | | 323,655 | 323,655 | - |
| Other receivables from related parties | 387,259 | - | | 387,259 | 387,259 | 28.4 |
| Trade receivables from related parties | - | - | | - | - | 28.3 |
| Financial liabilities | - | - | | | | |
| Trade payables to third parties | - | - | 434,585 | 434,585 | 434,585 | 8 |
| Trade payables to related parties | - | - | 119,587 | 119,587 | 119,587 | 28.7 |
| Borrowings | - | - | 2,710,665 | 2,710,665 | 2,710,665 | 7 |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## NOTE 29 – FINANCIAL INSTRUMENTS (Continued)

### Financial instruments and capital risk management (Continued)

***Financial risk factors (Continued)***

***(f) Fair value (Continued)***

| 31 December 2017 | Loans and receivables | Financial assets measured at fair value through other comprehensive income | Financial liabilities at amortized cost | Net carrying amount | Fair value | Note |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and cash equivalents | 156,266 | - | - | 156,266 | 156,266 | 5 |
| Financial investments | - | 579,277 | - | 579,277 | 579,277 | 6 |
| Trade receivables from third parties | 263,759 | - | - | 263,759 | 263,759 | 8 |
| Other receivables from third parties | 190,425 | - | - | 190,425 | 190,425 | - |
| Other receivables from related parties | - | - | - | - | - | 28,4 |
| Trade receivables from related parties | 1,111,575 | - | - | 1,111,575 | 1,111,575 | 28,3 |
| Financial liabilities | | | | | | |
| Trade payables to third parties | - | - | 588,927 | 588,927 | 588,927 | 8 |
| Trade payables to related parties | - | - | 44,618 | 44,618 | 44,618 | 28,7 |
| Borrowings | - | - | 2,974,838 | 2,974,838 | 2,974,838 | 7 |

(Convenience translation of consolidated financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

## 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:

| | 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Financial assets measured at fair value through other comprehensive income (Note 6) | - | 567,259 | - | 567,259 |
| **Total financial assets** | **-** | **567,259** | **-** | **567,259** |

| | 2017 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Financial assets measured at fair value through other comprehensive income (Note 6) | - | 579,277 | - | 579,277 |
| **Total financial assets** | **-** | **579,277** | **-** | **579,277** |

## NOTE 30 – SUBSEQUENT EVENTS

Absent.