

DOĐUŐ OTOMOTİV SERVİS VE TİCARET A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2022
WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH
REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

To the General Assembly of Dođuş Otomotiv Servis ve Ticaret A.Ş.

Introduction

We have reviewed the accompanying condensed balance sheet of Dođuş Otomotiv Servis ve Ticaret A.Ş. (the “Company”) and its subsidiaries (“collectively referred as the “Group”) as at 31 March 2022, the condensed consolidated statement of income, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flows for the three-month period then ended (“interim condensed consolidated financial information”). The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 (“TAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of the Group is not prepared, in all material respects, in accordance with TAS 34.

PwC Bađımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Cihan Harman, SMMM
Partner

Istanbul, 10 May 2022

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2022 AND 31 DECEMBER 2021

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

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022 AND 31 DECEMBER 2021

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

		Reviewed	Audited
		31 March	31 December
	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,905,839	3,409,576
Financial investments	6.1	244,625	-
Trade receivables		1,876,275	1,010,816
- Trade receivables due from related parties	22.1	1,330,203	656,025
- Trade receivables due from third parties	8.1	546,072	354,791
Other receivables		208,544	150,347
- Other receivables due from related parties	22.2	6,623	6,942
- Other receivables due from third parties	9	201,921	143,405
Inventories	10	3,263,967	1,969,481
Prepayments		112,717	39,858
Other current assets		4,700	3,214
Total current assets		8,616,667	6,583,292
NON-CURRENT ASSETS			
Financial investments		831,804	831,804
- Financial assets measured at fair value through other comprehensive income	6.2	831,804	831,804
Other receivables		1,813	1,372
- Other receivables due from related parties		1,417	975
- Other receivables due from third parties		396	397
Investments accounted for using equity method	11	955,422	880,235
Investment property	13	120,278	121,463
Property, plant and equipment	12	1,206,936	1,096,291
Right of use asset	24	159,858	109,068
Intangible assets		101,641	89,645
Prepayments		7,417	18,790
Deferred tax asset	20	59,006	22,639
Total non-current assets		3,444,175	3,171,307
TOTAL ASSETS		12,060,842	9,754,599

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022 AND 31 DECEMBER 2021

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

	Notes	Reviewed 31 March 2022	Audited 31 December 2021
LIABILITIES			
CURRENT LIABILITIES			
Current borrowings	7	2,699,745	2,705,361
Short-term portion of long-term borrowings	7	312,505	232,254
Trade payables		2,102,028	1,231,202
- Trade payables to related parties	22.5	85,007	113,323
- Trade payables to third parties	8.2	2,017,021	1,117,879
Employee benefit obligations		16,270	38,116
Other payables		1,250,000	-
- Other payables to related parties	22.6	1,250,000	-
Deferred income		89,009	59,269
Current tax liabilities	20	344,020	259,620
Current provisions		364,202	396,216
- Other current provisions	14	364,202	396,216
Other current liabilities	15	340,499	164,700
Total current liabilities		7,518,278	5,086,738
NON-CURRENT LIABILITIES			
Long-term borrowings	7	215,632	90,669
Deferred income		47,992	35,279
Non-current provisions		168,963	142,662
- Non-current provisions for employee benefits		94,889	72,217
- Other long-term provisions		74,074	70,445
Deferred tax liabilities	20	-	35,568
Total non-current liabilities		432,587	304,178
TOTAL LIABILITIES		7,950,865	5,390,916
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	16	220,000	220,000
Inflation adjustment on capital	16	23,115	23,115
Treasury shares (-)	16	(220,411)	(220,393)
Other accumulated comprehensive income (loss) that will not be reclassified in profit or loss		(41,446)	(28,935)
- Gains (losses) on revaluation and remeasurement		(41,446)	(28,935)
Gains (losses) on remeasurements of defined benefit plans		(41,446)	(28,935)
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		766,477	762,398
- Exchange differences on translation	16	12,661	8,582
- Gains (losses) on revaluation and reclassification		753,816	753,816
Gains (losses) from financial assets measured at fair value through other comprehensive income	16	753,816	753,816
Restricted reserves appropriated from profits	16	547,213	423,295
- Legal reserves		323,363	199,463
- Treasury share reserves		220,411	220,393
- Other restricted profit reserves		3,439	3,439
Prior years' profit or losses	16	1,797,027	839,364
Profit (loss) for the period		996,669	2,331,581
Non-controlling interests	16	21,333	13,258
TOTAL EQUITY		4,109,977	4,363,683
TOTAL EQUITY AND LIABILITIES		12,060,842	9,754,599

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM PROFIT OR LOSS STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

	<u>Notes</u>	<u>Reviewed 31 March 2022</u>	<u>Reviewed 31 March 2021</u>
Revenue		7,240,156	6,195,463
Cost of sales		(5,790,195)	(5,433,193)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		1,449,961	762,270
GROSS PROFIT (LOSS)		1,449,961	762,270
General administrative expenses	17.2	(185,789)	(131,031)
Marketing expenses	17.1	(124,758)	(109,162)
Other income from operating activities		236,514	31,093
Other expenses from operating activities		(63,034)	(52,235)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		1,312,894	500,935
Investment activity income	18	25,073	12,034
Share of profit (loss) from investments accounted for using equity method	11	147,192	94,942
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		1,485,159	607,911
Finance income	19	1,641	12,739
Finance costs	19	(205,987)	(129,164)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		1,280,813	491,486
Tax (expense) income, continuing operations		(276,069)	(83,465)
Current period tax (expense) income	20	(344,876)	(115,255)
Deferred tax (expense) income	20	68,807	31,790
PROFIT (LOSS) FROM CONTINUING OPERATIONS		1,004,744	408,021
PROFIT (LOSS)		1,004,744	408,021
Profit (loss), attributable to			
Non-controlling interests		8,075	1,488
Owners of parent		996,669	406,533
Basic earnings per share			
Basic earnings (loss) per share from continuing operations	21	5.0337	2.0532
Diluted earnings per share			
Diluted earnings (loss) per share from continuing operations	21	5.0337	2.0532

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM OTHER COMPREHENSIVE PROFIT OR LOSS STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

	<u>Notes</u>	<u>Reviewed 31 March 2022</u>	<u>Reviewed 31 March 2021</u>
PROFIT (LOSS)		1,004,744	408,021
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss		(12,511)	(1,854)
Gains (losses) on remeasurements of defined benefit plans		(15,639)	(2,317)
Taxes related to components of other comprehensive income that will not be reclassified to profit or loss		3,128	463
- <i>Taxes relating to measurements of defined benefit plans</i>	20	3,128	463
Other comprehensive income that will be reclassified to profit or loss		4,079	3,114
Exchange differences on translation		4,079	3,114
Other comprehensive income (loss) related with financial assets measured at fair value through other comprehensive income		-	-
- <i>Gains (losses) on financial assets measured at fair value through other comprehensive income</i>		-	-
Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss		-	-
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss		-	-
- <i>Taxes relating to financial assets measured at fair value through other comprehensive income</i>		-	-
OTHER COMPREHENSIVE INCOME (LOSS)		(8,432)	1,260
TOTAL COMPREHENSIVE INCOME (LOSS)		996,312	409,281
Total comprehensive income attributable to			
Non-controlling interests		8,075	1,488
Owners of parent		988,237	407,793

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH**

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

	Issued capital (Note 16)	Inflation adjustments on capital (Note 16)	Treasury shares (Note 16)	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	Restricted reserve (Note 16)	Accumulated earnings		Equity attributable to equity holders of the company	Non-controlling interests (Note 16)	Total equity	
				Gains / losses on remeasurements of defined benefit plans	Foreign currency translation difference (Note 16)		Gains / losses on remeasuring of financial assets measured at fair value through other comprehensive income (Note 16)	Retained earnings / (Accumulated losses)				Net profit / loss for the period
Balance at 1 January 2021	220,000	23,115	(220,325)	(22,080)	2,078	481,437	405,826	359,566	1,037,334	2,286,951	8,783	2,295,734
Transfers	-	-	-	-	-	-	63,227	974,107	(1,037,334)	-	-	-
Total comprehensive income (loss)	-	-	-	(1,854)	3,114	-	-	-	406,533	407,793	1,488	409,281
Profit (loss) for the period	-	-	-	-	-	-	-	-	406,533	406,533	1,488	408,021
Other comprehensive income (loss)	-	-	-	(1,854)	3,114	-	-	-	-	1,260	-	1,260
Profit shares	-	-	-	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Balance at 31 March 2021	220,000	23,115	(220,325)	(23,934)	5,192	481,437	469,053	733,673	406,533	2,094,744	10,271	2,105,015
Balance at 1 January 2022	220,000	23,115	(220,393)	(28,935)	8,582	753,816	423,295	839,364	2,331,581	4,350,425	13,258	4,363,683
Transfers	-	-	-	-	-	-	123,900	2,207,681	(2,331,581)	-	-	-
Total comprehensive income (loss)	-	-	-	(12,511)	4,079	-	-	-	996,669	988,237	8,075	996,312
Profit (loss) for the period	-	-	-	-	-	-	-	-	996,669	996,669	8,075	1,004,744
Other comprehensive income (loss)	-	-	-	(12,511)	4,079	-	-	-	-	(8,432)	-	(8,432)
Profit shares	-	-	-	-	-	-	-	(1,250,000)	-	(1,250,000)	-	(1,250,000)
Increase (decrease) through treasury shares transactions	-	-	(18)	-	-	-	18	(18)	-	(18)	-	(18)
Balance at 31 March 2022	220,000	23,115	(220,411)	(41,446)	12,661	753,816	547,213	1,797,027	996,669	4,088,644	21,333	4,109,977

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

	Notes	Reviewed	
		31 March 2022	31 March 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		(383,973)	(363,342)
Profit (loss) for the period		1,004,744	408,021
Adjustments to for profit (loss) for the period reconciliation:		545,823	297,722
Adjustments for depreciation and amortization expense	17.2, 24	61,364	40,268
Adjustments for impairment loss (reversal of impairment loss)		(587)	269
<i>Adjustments for impairment loss (reversal of impairment loss) of receivables</i>		(74)	(7)
<i>Adjustments for impairment loss (reversal of impairment loss) of inventories</i>	10	(513)	276
Adjustments for provisions		194,536	186,618
<i>Adjustments for (reversal of) provisions related with employee benefits</i>		11,016	3,966
<i>Adjustments for (reversal of) lawsuit and/or penalty provision expenses</i>		3,054	1,784
<i>Adjustments for (reversal of) warranty provisions</i>		34,949	39,406
<i>Adjustments for (reversal of) other provisions</i>		145,517	141,462
Adjustments for interest (income) and expense		166,205	93,929
<i>Adjustments for interest income</i>	19	(1,641)	(12,739)
<i>Adjustments for interest expense</i>	19	167,846	106,668
Adjustments for unrealized foreign exchange losses (gains)		7,357	149
Adjustments for undistributed profits of investments accounted for using equity method	11	(147,192)	(94,942)
Adjustments for tax (income) expenses	20	276,069	83,465
Adjustments for losses (gains) on disposal of non-current assets		(11,929)	(12,034)
<i>Adjustments for losses (gains) arised from sale of tangible assets</i>	18	(11,929)	(12,034)
Changes in working capital		(1,632,587)	(1,010,705)
Adjustments for decrease (increase) in trade receivables		(865,385)	(439,722)
<i>Decrease (increase) in due from related parties</i>		(674,178)	(476,101)
<i>Decrease (increase) in due from third parties</i>		(191,207)	36,379
Adjustments for decrease (increase) in inventories		(1,293,973)	(652,691)
Adjustments for increase (decrease) in trade payables		696,415	223,097
<i>Increase (decrease) in due to related parties</i>		(28,316)	84,944
<i>Increase (decrease) in due to third parties</i>		724,731	138,153
Increase (decrease) in deferred income		42,454	12,088
Adjustments for other increase (decrease) in working capital		(212,098)	(153,477)
Cash flows from operations		(82,020)	(304,962)
Payments related with provisions for employee benefits		(3,981)	(834)
Payments related with other provisions		(37,496)	(28,967)
Income taxes refund (paid)		(260,476)	(28,579)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(85,199)	143,433
Proceeds from sales of property, plant and equipment and intangible assets		16,352	15,993
<i>Proceeds from sales of property, plant and equipment</i>		16,352	15,993
Purchase of property, plant, equipment and intangible assets		(173,556)	(57,575)
<i>Purchase of property, plant and equipment</i>	12	(148,224)	(44,774)
<i>Purchase of intangible assets</i>		(25,332)	(12,801)
Dividends received		72,005	185,015
C. CASH FLOWS FROM FINANCING ACTIVITIES		(38,660)	74,172
Proceeds from borrowings		1,024,637	1,343,252
Repayments of borrowings		(902,141)	(1,153,652)
Payments of lease liabilities		(23,749)	(18,866)
Interest paid		(139,048)	(109,301)
Interest received		1,641	12,739
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(507,832)	(145,737)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		4,095	113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(503,737)	(145,624)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	3,409,576	655,599
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	2,905,839	509,975

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

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, Cupra, Porsche, Bentley, Lamborghini, Bugatti and Scania, Scania Power Solutions and, Thermoking climate control systems) and also operates in the field of after sales services and spare parts with Doğuş Marine Services business unit. 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 March 2022 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 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 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. 3

Sarıyer, İstanbul, Türkiye.

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 period ended 31 March 2022 is 740 (31 December 2021: 791) whereas the average number of white-collar employees of the Group for the period ended 31 March 2022 is 1,347 (31 December 2021: 1,372).

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

2.1 Basis of Presentation of Condensed Consolidated Interim 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.

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

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

2.1 Basis of Presentation of Condensed Consolidated Interim Financial Statements (Continued)

(i) *Statement of Compliance to TAS (Continued)*

Additionally, the accompanying consolidated financial statements are presented in accordance with TAS taxonomy issued by POA on 15 April 2019. Businesses preparing a financial statement created in line with CMB legislation are free to prepare their interim financial statements as a full set or a summary, as per the TAS 34 “Interim Financial Reporting” standard. In this framework, the Group opted to prepare summary consolidated financial statements and prepared those summary consolidated financial statements in line with the provisions of the Communiqué.

(ii) *Preparation and approval of financial statements*

The condensed consolidated interim financial statements of the Group as at 31 March 2022 have been approved by the Board of Directors on 10 May 2022. 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 condensed consolidated interim 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.

(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 condensed consolidated interim financial statements are presented in TL, which is Doğuş Otomotiv’s functional and presentation currency.

The Company and its affiliates registered in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the Turkish Commercial Code, tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The 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.

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

2.2 Amendments and Interpretations in the TAS / TFRS

The accounting policies adopted in preparation of the condensed consolidated interim financial statements as at 31 March 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2022. The effects of these standards and interpretations on the Group's financial position and performance has disclosed in the related paragraphs.

i) *Standards, amendments and interpretations applicable as at 31 March 2022:*

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) *Standards, amendments and interpretations that are issued but not effective as at 31 March 2022:*

The new standards, amendments and interpretations which are issued as of the approval date of the consolidated financial statements but which have not yet entered into force for the current reporting period neither early adopted are as follows. Unless otherwise is stated, the Group will make the necessary adjustments to its consolidated financial statements and notes after the new standards and interpretations become in effect.

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.

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

2.2 Amendments and Interpretations in the TAS / TFRS (Continued)

- **Amendments to IFRS 3**, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16**, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37**, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial Instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

The effects of these changes on the financial position and performance of the Group are being evaluated.

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM 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

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NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM 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 a 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 March 2022 and 31 December 2021:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Doğuş Oto Pazarlama	96.20%	96.20%
D-Auto Iraq (*)	100.00%	100.00%

(*) Doğuş Oto Iraq which execute import, distribution and after sales services of Volkswagen and Audi brands has signed a termination agreement with Audi Volkswagen Middle East FZE and Volkswagen AG, on 1 July 2021. As a result of the termination agreement, It has also been decided to start the liquidation process of the Company.

(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.

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NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM 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 March 2022 and 31 December 2021.

	<u>31 March 2022</u>	<u>31 December 2021</u>
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%

(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 March 2022 and 31 December 2021:

	<u>31 March 2022</u>	<u>31 December 2021</u>
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%
VDF Servis ve Ticaret A.Ş. ("VDF Servis")	48.79%	48.79%
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. ("Doğuş Teknoloji")	21.76%	21.76%

(*) 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.

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NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM 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 condensed consolidated interim statement of financial position as at 31 March 2022 comparatively with the consolidated statement of financial position as at 31 December 2021, and the condensed consolidated interim profit or loss statement, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statements of cash flows and changes in equity in the three month period ended 31 March 2022 comparative to the three month period ended 31 March 2021.

2.6 Significant Accounting Policies

The significant accounting policies have been applied consistently by the Group during the preparation of the condensed consolidated interim financial statements as at and for the three months period ended 31 March 2022 with those consolidated financial statements for the year ended 31 December 2021. The condensed consolidated interim financial statements should be read together with the consolidated financial statements for the year ended 31 December 2021.

2.7 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 (Note 12).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

2.7 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 other valuation methods such as nominal values, net carrying amount, acquisition price and discounted cash flows for non-public companies (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 13).

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 14.1).

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 14.1).

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 is recognized for all temporary differences.

Impact of Covid-19 outbreak on Group's activities

Possible impacts of COVID-19 which spread to the whole world, on the Group's activities and financial position are studiously monitored in all respects and the necessary actions are taken quickly in order to the Group to be affected from this pandemic in the least possible way.

The Group management assumed this epidemic as a situation that does not require changes in long-term business plans as of the date the financial statements were approved. However, while preparing the consolidated financial statements dated March 31, 2022, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, no impairment was detected in the consolidated financial statements dated 31 March 2022.

NOTE 3 – JOINT VENTURES

The Group accounts for its interests in joint ventures indicated in Note 2.3 through equity method. Therefore, financial information regarding to aforementioned joint ventures are presented in Note 11 "Investments in Equity Accounted Investees".

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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, Cupra, Porsche, Bentley, Lamborghini, Bugatti, Scania, Scania Power Solutions 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 of used cars, spare parts, Thermoking climate systems, Scania Power Solutions, Doğuş Marine Services 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 and leases are considered straight-line rent expense under the related financial statement line items.

Segment information presented to the Group management for the three month periods ended 31 March 2022 and 2021 are as follows:

For the three month period ended 31 March 2022	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	5,404,320	960,381	875,455	7,240,156
Cost of sales	(4,466,895)	(766,420)	(557,393)	(5,790,708)
Gross profit	937,425	193,961	318,062	1,449,448
General administration expenses	(69,673)	(10,668)	(111,827)	(192,168)
Marketing expenses	(77,511)	(19,551)	(35,619)	(132,681)
Amotization expenses	(19,725)	(2,288)	(23,060)	(45,073)
Other income from operating activities, net	112,389	23,264	40,179	175,832
Operating income	882,905	184,718	187,735	1,255,358

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 4 – OPERATING SEGMENTS (Continued)

For the three month period ended 31 March 2021	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	4,628,923	1,089,285	477,255	6,195,463
Cost of sales	(4,173,715)	(934,355)	(324,847)	(5,432,917)
Gross profit	455,208	154,930	152,408	762,546
General administration expenses	(45,562)	(6,266)	(54,000)	(105,828)
Marketing expenses	(67,264)	(15,007)	(20,560)	(102,831)
Amortization expenses	(10,765)	(1,399)	(15,287)	(27,451)
Other income from operating activities, net	(10,474)	(569)	(7,340)	(18,383)
Operating income	321,143	131,689	55,221	508,053

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:

	31 March 2022	31 March 2021
Operating profit for reportable segments	1,255,358	508,053
Provision for legal exposures	(1,638)	(19)
Provision for employee termination benefits	31,066	4,944
Provision for unused vacation	(6,216)	(1,730)
Provision for diminution in value of inventories	513	(276)
Warranty provision expense	1,132	(12,208)
Depreciation and amortization	(16,290)	(12,818)
Share of profit of equity accounted investees	147,192	94,942
Income from investment activities, net	25,073	12,034
Finance expense, net	(204,346)	(116,425)
Other	48,969	14,989
Profit before tax	1,280,813	491,486

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 5 – CASH AND CASH EQUIVALENTS

As at 31 March 2022 and 31 December 2021, cash and cash equivalents comprise the following:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Cash on hand	205	126
Cash at banks	2,905,634	3,409,450
- Demand deposits	2,757,235	3,330,315
- Time deposits	141,522	78,635
- Other cash and cash equivalents	6,877	500
Total	<u>2,905,839</u>	<u>3,409,576</u>

As at 31 March 2022, average effective interest rate on TL and EUR denominated time deposits are 15.44% and 0.04% respectively (31 December 2021: TL 18.05% and EUR 0.04%). As at 31 March 2022, maturity of time deposits is 1 day (31 December 2021: 1 day).

There is no blocked deposit as at 31 March 2022 and 31 December 2021.

Foreign currency risk exposure of cash and cash equivalents are presented under Note 23.

NOTE 6 – FINANCIAL INVESTMENTS

6.1 Short-term financial investments

As of 31 March 2022 and 31 December 2021, short-term financial investments at fair value through income statement are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
FX protected deposit	244,625	-
Total	<u>244,625</u>	<u>-</u>

6.2 Long-term financial investments

As of 31 March 2022 and 31 December 2021, long-term financial investments classified as available-for-sale financial assets at fair value through other comprehensive income are as follows:

	<u>31 March 2022</u>		<u>31 December 2021</u>	
	<u>Ownership interest (%)</u>	<u>Carrying amount</u>	<u>Ownership interest (%)</u>	<u>Carrying amount</u>
Doğuş Holding A.Ş. ("Doğuş Holding")	3.69	831,804	3.69	831,804
		<u>831,804</u>		<u>831,804</u>

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NOTE 6 – FINANCIAL INVESTMENTS (Continued)

As of 31 December 2021, 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. Discounts were applied on the net asset value of Doğuş Holding.

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

	<u>2022</u>	<u>2021</u>
Balance at 1 January	831,804	561,545
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-
Balance at 31 March	831,804	561,545

NOTE 7 – BORROWINGS

As at 31 March 2022 and 31 December 2021, financial liabilities with the effective interest rates, comprise the following:

	<u>31 March 2022</u>		<u>31 December 2021</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short-term bank borrowings:				
TL denominated interest bearing borrowings	22.67	<u>2,699,745</u>	21.30	<u>2,705,361</u>
Total		<u>2,699,745</u>		<u>2,705,361</u>
	<u>31 March 2022</u>		<u>31 December 2021</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short term portion of long term borrowings:				
TL denominated interest bearing borrowings	12.00	181,229	12.00	181,179
EUR denominated interest bearing borrowings	6.82	<u>77,427</u>		-
Total		<u>258,656</u>		<u>181,179</u>
	<u>31 March 2022</u>		<u>31 December 2021</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Long-term bank borrowings:				
EUR denominated interest bearing borrowings	6.82	<u>77,208</u>	-	-
Total		<u>77,208</u>		<u>-</u>

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NOTE 7 – BORROWINGS (Continued)

The repayment schedule of long-term bank borrowings including their short-term portions as at 31 March 2022 is as follows:

Payment period	Original amount (TL)	Original amount (EUR)	TL Equivalent
2022	181,230	2,372	219,918
2023	-	4,748	77,427
2024	-	2,374	38,519
Total	181,230	9,494	335,864

The repayment schedule of long-term bank borrowings including their short-term portions as at 31 December 2021 is as follows:

Payment period	Original amount (TL)	TL Equivalent
2022	181,179	181,179
Total	181,179	181,179

Foreign currency, interest and liquidity risk exposure of financial liabilities are presented under Note 23.

Movements of financial borrowings as 31 March 2022 and 2021 are summarized below:

Bank Borrowings	2022	2021
Balance at 1 January	2,886,540	2,277,941
Additions during the period	1,024,637	1,343,252
Payments during the period	(902,141)	(1,153,652)
Foreign exchange (gains) / losses	7,139	-
Changes in interest accrual	19,434	(8,969)
Balance at 31 March	3,035,609	2,458,572

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 7 – BORROWINGS (Continued)

As of 31 March 2022 and 31 December 2021, the details of the financial lease liabilities are as follows:

	31 March 2022		31 December 2021	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Short term portion of long term leases:				
TL leases	25.68	51,442	25.68	51,075
EUR leases	5.57	2,407	-	-
Total		53,849		51,075
	31 March 2022		31 December 2021	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Long term leases:				
TL leases	25.68	138,424	25.68	90,669
Total		138,424		90,669

Movement of financial lease liabilities as 31 March 2022 and 2021 are summarized below:

	2022	2021
Balance at 1 January	141,744	108,975
Additions	64,696	25,314
Payments	(23,749)	(18,866)
Disposals	-	(3,883)
Interest expenses	9,364	6,335
Foreign exchange gain / loss	218	149
Balance at 31 March	192,273	118,024

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

8.1 Trade Receivables

Guarantees received for trade receivables due from non-related parties

Significant portion of the other trade receivables due from third parties is comprised of receivables from the dealers and fleet customers. 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 customers.

As at 31 March 2022, TL 133,007 of trade receivables due from third parties are covered via letters of guarantee (31 December 2021: TL 80,793).

As at 31 March 2022, overdue trade receivables due from non-related parties that are not impaired amount to TL 22,426 (31 December 2021: TL 2,400). TL 5,496 of such overdue receivables are covered via guarantee letters (31 December 2021: TL 335).

As at 31 March 2022, the Group's average maturity of trade receivables due from third parties is 24 days (31 December 2021: 15 days).

Credit and foreign currency exposure of trade receivables are presented under Note 23.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

8.2 Trade Payables

As at 31 March 2022 and 31 December 2021, trade payables to third parties consist of the following:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Payables to OEM companies	1,689,180	764,654
Dealer premium accrual (*)	174,411	-
Other trade payables (**)	151,012	146,450
Payables to dealers (*)	-	200,057
Other expense accruals	2,418	6,718
Total	<u>2,017,021</u>	<u>1,117,879</u>

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 0.5% per annum for trade payables not settled within 10 days (31 December 2021: 0.5% 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 23.

NOTE 9 – OTHER RECEIVABLES

As at 31 March 2022 and 31 December 2021, other receivables due from third parties comprise of the following:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Warranty claims and price difference receivables (*)	158,891	104,542
Receivables due to insurance claims	29,990	25,041
Other	13,040	13,822
Total	<u>201,921</u>	<u>143,405</u>

(*) Warranty receivables represent the receivable of the warranty expenses related to the vehicles imported by the Group. As at 31 March 2022, the other receivables that has not been billed are TL 28,298 (31 December 2021: TL 56,702).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 10 – INVENTORIES

As at 31 March 2022 and 31 December 2021, inventories comprise of the following:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Goods in transit (*)	1,706,326	802,097
Merchandise stocks – vehicles	1,089,568	829,743
Merchandise stocks – spare parts	473,737	343,818
	<u>3,269,631</u>	<u>1,975,658</u>
Provision for diminution in the value of inventories (-)	(5,664)	(6,177)
Total	<u>3,263,967</u>	<u>1,969,481</u>

(*) 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 5,740,878 for the period ended 31 March 2022 (31 March 2021: TL 5,398,804).

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:

	<u>2022</u>	<u>2021</u>
Balance at 1 January	6,177	6,632
Additions in the current period	(513)	276
Balance at 31 March	<u>5,664</u>	<u>6,908</u>

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As at 31 March 2022 and 31 December 2021, investment in associates, joint ventures and the Group's share of control are as follows:

	31 March 2022		31 December 2021	
	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Associates				
VDF Servis	48.79	531,067	48.79	518,749
Yüce Auto	50	104,139	50	95,726
Doğuş Sigorta	42	63,381	42	59,501
Doğuş Teknoloji	21.76	37,765	21.76	34,309
Total		736,352		708,285
Joint ventures				
TÜVTURK Kuzey – Güney	33.33	219,070	33.33	171,950
Total		219,070		171,950
Grand total		955,422		880,235

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

	2022	2021
Balance at 1 January	880,235	790,730
Shares in profits of associates, net	100,072	50,658
Shares in the profits of joint ventures, net	47,120	44,284
Participation in capital increase of associates and joint ventures	-	-
Dividend income from associates	(72,005)	(60,000)
Dividend income joint ventures	-	(125,015)
Balance at 31 March	955,422	700,657

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

As at 31 March 2022, 31 December 2021 and 31 March 2021, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	31 March 2022						31 March 2022		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	9,884,890	3,886,982	13,771,872	12,192,946	83,692	12,276,638	2,257,698	(2,064,258)	193,440
Joint ventures	654,697	875,912	1,530,609	873,399	-	873,399	1,153,359	(1,011,985)	141,374
	31 December 2021						31 March 2021		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	9,065,846	3,538,925	12,604,771	10,382,360	793,676	11,176,036	2,015,323	(1,904,972)	110,351
Joint ventures	462,171	895,453	1,357,624	464,882	383,630	848,512	886,052	(753,187)	132,865

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

As at 31 March 2022, 31 December 2021 and 31 March 2021, cash and cash equivalents, current and non-current liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	31 March 2022			31 March 2022				
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Revenues	Amortization and depreciation expenses	Interest income	Interest expense	Tax expense
Investment in associates	821,390	10,746,145	4,032	2,138,491	(17,750)	7,248	(27,100)	(43,673)
Joint ventures	423,403	46,363	-	1,133,472	(9,390)	14,848	(689)	(45,956)
	31 December 2021			31 March 2021				
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Revenues	Amortization and depreciation expenses	Interest income	Interest expense	Tax expense
Investment in associates	723,028	9,223,288	722,176	1,905,422	(13,280)	8,599	(75,765)	(11,595)
Joint ventures	234,609	14,876	32,862	867,162	(8,185)	15,337	(341)	(37,076)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

(Convenience translation of condensed consolidated interim 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 period ended 31 March 2022 are as follows:

	1 January 2022	Additions	Disposals	Transfers (*)	31 March 2022
<i>Cost:</i>					
Land	285,839	-	-	-	285,839
Land improvements	19,871	-	-	17	19,888
Buildings	416,975	-	-	23	416,998
Machinery and equipments	82,490	3,856	-	48	86,394
Motor vehicles	423,952	114,202	(8,511)	-	529,643
Furniture and fixtures	107,416	2,101	(220)	1,321	110,618
Leasehold improvements	124,770	798	(203)	-	125,365
Constructions in progress	7,771	27,267	-	(1,629)	33,409
	1,469,084	148,224	(8,934)	(220)	1,608,154
<i>Accumulated depreciation:</i>					
Land improvements	(15,220)	(197)	-	-	(15,417)
Buildings	(68,435)	(1,728)	-	-	(70,163)
Machinery and equipments	(43,620)	(1,638)	-	-	(45,258)
Motor vehicles	(131,099)	(24,147)	4,089	-	(151,157)
Furniture and fixtures	(59,904)	(3,028)	219	-	(62,713)
Leasehold improvements	(54,515)	(2,198)	203	-	(56,510)
	(372,793)	(32,936)	4,511	-	(401,218)
Carrying amount	<u>1,096,291</u>				<u>1,206,936</u>

Total depreciation expense amounting to TL 32.936 has been allocated to general administrative expenses in the condensed consolidated profit or loss statement for the three month period ended 31 March 2022 (31 March 2021: TL 21,021).

As at 31 March 2022, borrowing cost amounting to TL 54,089 is capitalized on property and equipments (31 December 2021: TL 54,089).

(*) As of 31 March 2022, TL 220 of transfers consists of transfers to intangible assets (31 March 2021: TL 25).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property, plant and equipment and related accumulated depreciation for the period ended 31 March 2021 are as follows:

	1 January 2021	Additions	Disposals	Transfers (*)	Foreign currency translation difference	31 March 2021
<i>Cost:</i>						
Land	285,839	-	-	-	-	285,839
Land improvements	19,366	80	-	-	-	19,446
Buildings	397,693	-	-	-	-	397,693
Machinery and equipments	75,497	1,081	-	-	421	76,999
Motor vehicles	246,383	40,445	(9,433)	-	22	277,417
Furniture and fixtures	82,587	2,234	(903)	1,594	323	85,835
Leasehold improvements	139,230	-	-	552	4,775	144,557
Constructions in progress	11,412	934	-	(2,171)	-	10,175
	1,258,007	44,774	(10,336)	(25)	5,541	1,297,961
<i>Accumulated depreciation:</i>						
Land improvements	(14,424)	(198)	-	-	-	(14,622)
Buildings	(65,361)	(2,081)	-	-	-	(67,442)
Machinery and equipments	(44,367)	(1,435)	-	-	(285)	(46,087)
Motor vehicles	(85,855)	(12,830)	5,554	-	(22)	(93,153)
Furniture and fixtures	(57,208)	(2,334)	823	-	(313)	(59,032)
Leasehold improvements	(89,864)	(2,143)	-	-	(1,923)	(93,930)
	(357,079)	(21,021)	6,377	-	(2,543)	(374,266)
Carrying amount	900,928					923,695

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NOTE 13 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the period ended 31 March 2022 and 2021 are as follows:

	2022	2021
Cost:		
Balance at 1 January	135,432	111,773
Transfers from property and equipment	-	-
Balance at 31 March	135,432	111,773
Accumulated depreciation:		
Balance at 1 January	(13,969)	(6,354)
Depreciation for the period	(1,185)	(560)
Transfers from property and equipment	-	-
Balance at 31 March	(15,154)	(6,914)
Net book value as of 1 January	121,463	105,419
Net book value as of 31 March	120,278	104,859

Investment property comprised of the building that is used by Doğuş Teknoloji, Kartal Tower and Etimesgut buildings.

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 November 2021, the fair value of the Doğuş Teknoloji building amounts to TL 47,610, TL 153,965 for Kartal Tower and TL 40,550 for Etimesgut building respectively (Level 2).

The useful life of the building that is classified as investment property is 50 years. In 2022, the Group has recognized TL 1,298 rent income from the related investment property (31 March 2021: TL 41).

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of short-term provisions as at 31 March 2022 and 31 December 2021 is presented below:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Legal provisions	51,731	50,095
Warranty provisions	11,365	16,121
Other provisions	301,106	330,000
Total	<u>364,202</u>	<u>396,216</u>

The breakdown of long-term provisions as at 31 March 2022 and 31 December 2021 is presented below:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Warranty provisions	74,074	70,445
Total	<u>74,074</u>	<u>70,445</u>

14.2 Collaterals / Pledges / Mortgages / Bill of Guarantees Given

As at 31 March 2022, the Group's position related to letters of collaterals / pledges / mortgages / bill of guarantees guarantee given, pledges and mortgages ("CPMB") are as follows:

	<u>Total TL equivalent</u>	<u>31 March 2022</u>			
		<u>Original balances</u>			
		<u>Full TL</u>	<u>Full USD</u>	<u>Full Euro</u>	<u>Full CHF</u>
A. Total amount of CPMB given on behalf of own legal personality	3,919,375	66,333,351	-	236,593,360	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	42,207	42,206,769	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	122,141	-	-	7,500,000	-
D. Total amount of other CPMB	-	-	-	-	-
i. Total amount of CPMB given in favor of parent company	-	-	-	-	-
ii. The amount of CPMB given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of CPMB given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total CPMB	<u>4,083,723</u>	<u>108,540,120</u>	<u>-</u>	<u>244,093,360</u>	<u>-</u>

Other GPMBs given by the Group as at 31 March 2022 are equivalent to 0% of the Company's equity (31 December 2021: 0%).

As at 31 March 2022, CPMB amounting to TL 26,000 was given in favor of partnerships within the scope of consolidation is related to general loan agreements (31 December 2021: 26,000).

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.2 Collaterals / Pledges / Mortgages / Bill of Guarantees Given (Continued)

As at 31 December 2021, the Group's position related to letters of collaterals / pledges / mortgages / bill of guarantees guarantee given, pledges and mortgages ("CPMB") are as follows:

	31 December 2021				
	Total TL equivalent	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of CPMB given on behalf of own legal personality	3,835,641	65,660,091	-	249,887,700	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	43,884	43,883,744	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	113,150	-	-	7,500,000	-
D. Total amount of other CPMB					
i. Total amount of CPMB given in favor of parent company	-	-	-	-	-
ii. The amount of CPMB given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of CPMB given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total CPMB	3,992,675	109,543,835	-	257,387,700	-

14.3 Collaterals / Pledges / Mortgages / Bill of Guarantees Received

As at 31 March 2022 and 31 December 2021, the Group's position related to letter of guarantees received are as follows:

	31 March 2022	31 December 2021
Letters of guarantees received from dealers	127,567	94,861
Letters of guarantees received from fixed asset and service suppliers	66,813	89,659
Letter of guarantees received from fleet customers	46,593	25,300
Total	240,973	209,820

NOTE 15 – OTHER CURRENT LIABILITIES

As at 31 March 2022 and 31 December 2021, other current liabilities comprise of the following:

	31 March 2022	31 December 2021
VAT payable	333,594	163,612
Other current liabilities	6,905	1,088
Total	340,499	164,700

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NOTE 16 – EQUITY

Issued Capital

As at 31 March 2022, the registered capital of the Company is TL 220,000 (31 December 2021: 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.

As at 31 March 2022 and 31 December 2021, the composition of the Company's shareholding structure is as follows:

Shareholders	31 March 2022		31 December 2021	
	TL	Shareholding (%)	TL	Shareholding (%)
Doğuş Holding	165,585	75.27	165,585	75.27
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:

	31 March 2022	31 December 2021
Treasury share reserves	220,411	220,393
Legal reserves	323,363	199,463
Other restricted profit reserves	3,439	3,439
Total	547,213	423,295

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.

Under the Turkish Commercial Code, first and second level legal reserves cannot be distributed until they exceed 50% of the capital, but the reserves can solely be used for offsetting the losses in case of running out of arbitrary reserves. In accordance with CMB Regulations, legal reserves shall presented under "restricted reserves appropriated from profits". As at 31 March 2022, the legal reserves of the Group amounted to TL 323,363 (31 December 2021: TL 199,463).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 16 – EQUITY (Continued)

Treasury shares

The Group reacquired its own shares that are traded on Borsa Istanbul A.Ő 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, 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 March 2022, retained earnings are TL 1,797,027 (31 December 2021: TL 839,364).

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 March 2022, gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income of the Group amounted to TL 753,816 (31 December 2021: TL 753,816).

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 March 2022, the foreign currency translation differences of the Group amounted to TL 12,661 (31 December 2021: TL 8,582).

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.

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NOTE 16 – EQUITY (Continued)

Dividend (Continued)

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 2022, it has been decided to distribute cash dividends amounting to TL 1,250,000 to shareholders on previous year's distributable profit which was calculated by deducting legal reserves from period income. It has been decided that TL 123,900 of the net profit of the period will not be distributed and be kept within the Company as "legal reserve".

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 March 2022 and 31 December 2021, the related amounts in the "non-controlling interests" account in the consolidated financial statements are TL 21,333 and TL 13,258 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 17 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the period ended 31 March is presented below:

	<u>31 March 2022</u>	<u>31 March 2021</u>
General administration expenses	185,789	131,031
Marketing expenses	124,758	109,162
Total	<u>310,547</u>	<u>240,193</u>

17.1 Marketing Expenses

The breakdown of marketing expenses for the period ended 31 March is presented below:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Distribution expenses	45,226	25,593
Warranty expenses, net	34,949	39,406
Advertising expenses	19,820	19,862
Personnel expenses	19,654	21,621
Customer service expenses	4,340	2,576
Support expenses	769	104
Total	<u>124,758</u>	<u>109,162</u>

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NOTE 17 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

17.2 General Administrative Expenses

The breakdown of general administration expenses for the period ended 31 March is presented below:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Depreciation and amortization expenses	61,364	40,268
Personnel expenses	49,679	46,917
Building expenses	25,434	13,231
Maintenance expenses	15,937	10,108
Insurance expenses	5,169	4,490
Consultancy expense	5,672	3,699
Vehicle expenses	5,195	2,108
Traveling expenses	968	109
Communication expenses	823	623
Corporate governance expenses	386	575
Other	15,162	8,903
Total	<u>185,789</u>	<u>131,031</u>

NOTE 18 – INVESTMENT ACTIVITY INCOME

The breakdown of income from investment activities for the period ended 31 March is presented below:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Gain on sale of property and equipment	11,929	12,034
Interest income	13,144	-
Total	<u>25,073</u>	<u>12,034</u>

NOTE 19 – FINANCE INCOME AND EXPENSES

The breakdown of finance expenses for the period ended 31 March is as follows:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Interest expense on borrowings	158,482	100,333
Commission expenses on letters of guarantee	20,948	17,330
Interest expense on lease liabilities	9,364	6,335
Other	17,193	5,166
Total	<u>205,987</u>	<u>129,164</u>

The breakdown of finance income for the period ended 31 March are as follows:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Interest income	1,641	12,739
Total	<u>1,641</u>	<u>12,739</u>

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NOTE 20 – 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 associates. Accordingly tax considerations reflected in these consolidated financial statements have been calculated separately for each of the companies in the scope of the consolidation.

The Corporate Tax Law was amended by Law No.5520 dated 13 September 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable at a rate of 23% for 31 March 2022 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 March 2022, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2021: 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 valid rate on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid during the year is offset against the annual corporation tax payable, which is calculated over the corporate tax return declared in the following year. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Dividend income of a resident arising from the investments in another resident is not subject to corporate tax (Except mutual funds participation certificate and dividend income from mutual fund).

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

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

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

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

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

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NOTE 20 – TAX ASSET AND LIABILITIES (Continued)

50% 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 period ended 31 March, taxation charge comprise of the following:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Current tax (expense)	(344,876)	(115,255)
Deferred tax income / (expense)	68,807	31,790
Total tax expense	<u>(276,069)</u>	<u>(83,465)</u>

For the period ended 31 March, 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:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Profit before tax	1,280,813	491,486
Income tax using the Company's domestic tax rate	(294,587)	(98,297)
Disallowable expenses	(7,092)	(1,360)
Share of profit in equity accounted investees exempt from deferred tax calculation	33,854	18,988
Other	(8,244)	(2,796)
Total tax expense	<u>(276,069)</u>	<u>(83,465)</u>

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.

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NOTE 20 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes

As at 31 March 2022 and 31 December 2021, 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 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Fair value change of available-for sale financial assets	-	-	(35,086)	(35,086)	(35,086)	(35,086)
Land	-	-	(1,393)	(1,393)	(1,393)	(1,393)
Other tangible and intangible assets	-	-	1,879	1,313	1,879	1,313
Warranty provision, net	17,429	17,797	-	-	17,429	17,797
Legal provision	8,310	7,933	-	-	8,310	7,933
Provision for diminution in value of inventories	1,303	1,421	-	-	1,303	1,421
Employee termination benefit	13,543	10,251	-	-	13,543	10,251
Unused vacation liability	5,435	4,192	-	-	5,435	4,192
Dealer premium accrual	40,114	-	-	-	40,114	-
Other	7,472	(19,357)	-	-	7,472	(19,357)
Total deferred tax asset/(liabilities)	93,606	22,237	(34,600)	(35,166)	59,006	(12,929)
Net off tax	(34,600)	402	34,600	(402)	-	-
Total deferred tax assets/(liabilities)	59,006	22,639	-	(35,568)	59,006	(12,929)

The movements in temporary differences as at 31 March 2022 are as follows:

	1 January 2022	Recognized in the profit or loss	Recognized in other comprehensive income	31 March 2022
Fair value change of available for sale financial assets	(35,086)	-	-	(35,086)
Land	(1,393)	-	-	(1,393)
Other tangible and intangible assets	1,313	566	-	1,879
Warranty provision, net	17,797	(368)	-	17,429
Legal provision	7,933	377	-	8,310
Provision for diminution in value of inventories	1,421	(118)	-	1,303
Employee termination benefit	10,251	164	3,128	13,543
Unused vacation liability	4,192	1,243	-	5,435
Dealer premium accrual	-	40,114	-	40,114
Other	(19,357)	26,829	-	7,472
	(12,929)	68,807	3,128	59,006

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NOTE 20 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 31 March 2021 are as follows:

	<u>1 January 2021</u>	<u>Recognized in the profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>31 March 2021</u>
Fair value change of available for sale financial assets	(21,572)	-	-	(21,572)
Land	(1,393)	-	-	(1,393)
Other tangible and intangible assets	(10,041)	562	-	(9,479)
Warranty provision, net	9,733	2,442	-	12,175
Legal provision	6,497	4	-	6,501
Provision for diminution in value of inventories	1,326	55	-	1,381
Employee termination benefit	7,976	280	463	8,719
Unused vacation liability	3,263	347	-	3,610
Dealer premium accrual	-	28,293	-	28,293
Other	2,579	(193)	-	2,386
	<u>(1,632)</u>	<u>31,790</u>	<u>463</u>	<u>30,621</u>

As at 31 March 2022, current income tax liabilities amounting to TL 344,020 (31 December 2021: TL 259,620) is comprised by tax provision for the period ended 31 March 2022.

As of 31 March 2022, the Group has no current period tax assets. (31 December 2021: None).

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements for 2021.

NOTE 21 – 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 period ended 31 March, earnings per share are calculated as follows:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Net profit attributable to the equity holders of the Company	996,669	406,533
Number of basic shares	198,000,000	198,000,000
Basic / diluted earnings per share (in full TL)	5.0337	2.0532

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

22.1 Due from related parties

22.1.1 Due from associates

	<u>31 March 2022</u>	<u>31 December 2021</u>
Yüce Auto	7,646	5,071
Total	<u>7,646</u>	<u>5,071</u>

22.1.2 Due from joint ventures

	<u>31 March 2022</u>	<u>31 December 2021</u>
TÜVTURK	7	10
Total	<u>7</u>	<u>10</u>

22.1.3 Due from other related parties

	<u>31 March 2022</u>	<u>31 December 2021</u>
VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring")	1,314,814	648,032
VDF Sigorta Aracılık Hizmetleri A.Ş.	2,485	1,421
VDF Filo Kiralama A.Ş.	1,419	944
VDF	-	148
Other	3,431	349
Total	<u>1,322,149</u>	<u>650,894</u>

22.1.4 Due from shareholders

	<u>31 March 2022</u>	<u>31 December 2021</u>
Doğuş Holding	401	50
Total	<u>401</u>	<u>50</u>
Grand total	<u>1,330,203</u>	<u>656,025</u>

As of 31 March 2022, the Group imposes 1% interest charge on the receivables from related parties (31 December 2021: 1% per month).

22.2 Other receivables due from related parties

22.2.1 Other current receivables due from associates

	<u>31 March 2022</u>	<u>31 December 2021</u>
Doğuş Teknoloji	5,019	4,718
Total	<u>5,019</u>	<u>4,718</u>

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.2 Other receivables due from related parties (Continued)

22.2.2 Other current receivables due from other related parties

	31 March 2022	31 December 2021
VDF Filo Kiralama A.Ş. (sublease receivables)	1,604	2,224
Total	1,604	2,224
Grand total	6,623	6,942

22.2.3 Other non-current receivables due from related parties

	31 March 2022	31 December 2021
VDF Filo Kiralama A.Ş. (sublease receivables)	1,417	975
Total	1,417	975

22.3 Current prepayments due from related parties

22.3.1 Current prepaid expenses to related parties

22.3.1.1 Current prepaid expenses to associates

	31 March 2022	31 December 2021
Doğuş Teknoloji	589	719
Total	589	719

22.3.1.2 Current prepaid expenses to other related parties

	31 March 2022	31 December 2021
Pozitif Arena Salon İşletmeleri A.Ş.	6,445	8,823
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	1,315	-
Other	794	277
Total	8,554	9,100

22.3.1.3 Current prepaid expenses to shareholders

	31 March 2022	31 December 2021
Doğuş Holding	516	804
Total	516	804
Grand total	9,659	10,623

22.3.2 Non- Current prepaid expenses to related parties

22.3.2.1 Non-current prepaid expenses

	31 March 2022	31 December 2021
Pozitif Arena Salon İşletmeleri A.Ş.	3,052	3,052
Doğuş Teknoloji	321	381
Pozitif Müzik A.Ş.	259	323
Total	3,632	3,756

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.3.3 Advances given

22.3.3.1 Advances given to other related parties

	<u>31 March 2022</u>	<u>31 December 2021</u>
Doğuş Yayın Grubu A.Ş.	174	822
Total	174	822

22.4 Deferred Income

22.4.1 Deferred income from other related parties

	<u>31 March 2022</u>	<u>31 December 2021</u>
TDB Kalibrasyon Hizmetleri A.Ş.	12	-
Other	8	-
Total	20	-

22.5 Trade payables due to related parties

22.5.1 Trade payables due to associates

	<u>31 March 2022</u>	<u>31 December 2021</u>
Yüce Auto	66,170	92,364
Doğuş Teknoloji	13,612	12,088
Total	79,782	104,452

22.5.2 Trade payables due to joint ventures

	<u>31 March 2022</u>	<u>31 December 2021</u>
TÜVTURK	1	-
Total	1	-

22.5.3 Trade payables due to other related parties

	<u>31 March 2022</u>	<u>31 December 2021</u>
Antur Turizm A.Ş.	1,985	2,125
VDF Faktoring A.Ş.	839	418
Argos Turizm Yatırım ve Ticaret A.Ş.	258	-
TDB Kalibrasyon Hizmetleri A.Ş.	219	168
Semanticum Bilişim Sanayi ve Ticaret A.Ş.	205	391
VDF Filo Kiralama A.Ş.	92	1,299
Doğuş Verim. ve Merk. Satın Alma Hizm. Tic. A.Ş.	90	750
Doğuş Yayın Grubu A.Ş.	67	12
VDF	60	26
Nahita Restaurant İşletmeciliği ve Yatırım A.Ş.	-	1,758
DGPAYS Bilişim Hizmetleri A.Ş.	-	618
Diğer	243	620
Toplam	4,058	8,185

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.5.4 Trade payables due to shareholders

	<u>31 March 2022</u>	<u>31 December 2021</u>
Doğuş Holding	1,166	686
Total	1,166	686
Grand total	85,007	113,323

22.6 Other payables due to related parties

22.6.1 Other payables due to shareholders

	<u>31 March 2022</u>	<u>31 December 2021</u>
Dividend payable	1,250,000	-
Total	1,250,000	-

22.7 Related Party Transactions

22.7.1 Associates

Sales and other income generating transactions:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Other income	17,604	14,152
Sale of products and returns, net	5,387	4,193
Sale of services, net	290	144
Financial income	255	330
Total	23,536	18,819

Purchases and expenses incurring transactions:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Inventory purchase	299,474	310,825
Other purchases	34,908	16,275
Fixed asset purchases	24,789	13,880
Services rendered	10,300	6,274
Other expenses	214	107
Incentives for consumer loans	-	19,981
Total	369,685	367,342

22.7.2 Joint ventures

Sales and other income generating transactions:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Sale of products and returns, net	1,975	932
Sale of service, net	28	19
Other income	2	2
Total	2,005	953

Purchases and expense creating transactions:

	<u>31 March 2022</u>	<u>31 March 2021</u>
Service purchases	14	29
Total	14	29

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.7 Related Party Transactions (Continued)

22.7.3 Other related party transactions

a) Income generated from other related parties

	31 March 2022					
	Sale of products	Sale of services	Other income from operating activities	Financial income	Sale of fixed asset	Total
VDF Filo	93,483	2,301	235	-	-	96,019
VDF Sigorta	-	-	3,567	-	-	3,567
VDF Faktoring	-	-	-	-	-	-
Other	3,332	109	201	-	-	3,642
	96,815	2,410	4,003	-	-	103,228

	31 March 2021					
	Sale of products	Sale of services	Other income from operating activities	Financial income	Sale of fixed asset	Total
VDF Filo	65,611	1,247	158	-	-	67,016
VDF Sigorta	-	1	2,692	-	-	2,693
VDF Faktoring	-	-	-	-	-	-
Other	2,578	18	60	106	99	2,861
	68,189	1,266	2,910	106	99	72,570

b) Expenses arising from transactions with other related parties

	31 March 2022						
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
VDF Filo	5,435	-	10,852	-	1	-	16,288
Doğuş Gayrimenkul Yatırım Ortaklığı	9,138	-	-	-	-	-	9,138
Antur Turizm	2,536	-	-	-	1	33	2,570
VDF Faktoring	-	-	-	2,328	-	-	2,328
VDF Sigorta	-	-	-	-	-	-	-
Other	1,508	10	325	86	10	3,972	5,911
	18,617	10	11,177	2,414	12	4,005	36,235

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.7.3 Other related party transactions (Continued)

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

	31 March 2021						Total
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	
VDF Filo	3,296	-	1,693	-	-	-	4,989
Doğuş Gayrimenkul Yatırım Ortaklığı	7,872	-	-	-	-	-	7,872
Antur Turizm	636	-	-	-	-	185	821
VDF Faktoring	-	-	-	17,121	-	-	17,121
VDF Sigorta	24	-	-	-	-	-	24
Other	2,172	-	271	-	-	2,664	5,107
	14,000	-	1,964	17,121	-	2,849	35,934

22.7.4 Transactions with shareholders

a) Income generated from shareholders

	31 March 2022				Total
	Sale of product	Sale of services	Income from investing activities	Other income from operating activities	
Doğuş Holding	15	484	-	-	499
	15	484	-	-	499

	31 March 2021				Total
	Sale of product	Sale of services	Income from investing activities	Other income from operating activities	
Doğuş Holding	4	4	-	-	8
	4	4	-	-	8

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NOTE 22 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

22.7 Related Party Transactions (Continued)

22.7.4 Transactions with shareholders (Continued)

b) Expenses arising from transactions with shareholders

	31 March 2022				
	Services rendered	Purchase of fixes asset	Others purchases	Other expense from operating activities	Total
Doğuş Holding	3,461	-	-	288	3,749
	<u>3,461</u>	<u>-</u>	<u>-</u>	<u>288</u>	<u>3,749</u>
	31 March 2021				
	Services rendered	Purchase of fixes asset	Others purchases	Other expense from operating activities	Total
Doğuş Holding	2,515	-	-	94	2,609
	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>2,609</u>

22.8 Key Management Personnel Compensation

	31 March 2022	31 March 2021
Salaries and other short-term employee benefits	10,030	6,876
Total	10,030	6,876

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 period ended 31 March 2022 and 2021 includes salaries, health insurance and employer shares of Social Security Institution.

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NOTE 23 – 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 March 2022 and 31 December 2021:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Total financial liabilities	3,227,882	3,028,284
Cash and cash equivalents	(2,905,839)	(3,409,576)
Total financial liabilities, net	322,043	(381,292)
Total equity	4,109,977	4,363,683
Financial liabilities / equity ratio	0.08	(0.09)

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.

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(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).

31 March 2022	Receivables				Bank deposits	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	1,330,203	546,072	8,040	202,317	2,905,634	-	-
- Guaranteed portion of the maximum exposure	-	133,007	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	1,326,415	523,646	8,040	202,317	2,905,634	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	3,788	22,426	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	5,496	-	-	-	-	-
- Impairment (-)	-	(5,496)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	133,007	-	-	-	-	-
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 March 2022 and 31 December 2021, 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 March 2022 and 31 December 2021, 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 March 2022 and 31 December 2021, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

31 December 2021	Receivables				Bank deposits	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	656,025	354,791	7,917	143,802	3,409,450	-	-
- Guaranteed portion of the maximum exposure	-	80,793	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	654,812	352,391	7,917	143,802	3,409,450	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	1,213	2,400	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	5,570	-	-	-	-	-
- Impairment (-)	-	(5,570)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	80,793	-	-	-	-	-
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 March 2022 and 31 December 2021, 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 March 2022 and 31 December 2021, 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 March 2022 and 31 December 2021, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

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NOTE 23 – 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 March 2022 and 31 December 2021, the aging of past due receivables that are not impaired are as follows:

31 March 2022	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	26,214	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	57	-	-	-	-

31 December 2021	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	3,613	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	335	-	-	-	-

(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 March 2022, the Group have lines of credit amounting to EUR 1,095,686, USD 317,000, CHF 5,000 and TL 4,032,500 (31 December 2021: lines of credit amounting to EUR 1,034,686, USD 307,000, CHF 5,000 and TL 4,032,500). 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 EUR 236,485 equivalent to TL 3,851,276 (31 December 2021: EUR 249,735 equivalent to TL 3,767,677) 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 EUR 103,392, amounting to TL 1,683,798 are utilized (31 December 2021: EUR 51,070, amounting to TL 770,481 is used).

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NOTE 23 – 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 March 2022 and 31 December 2021:

Contractual maturities	31 March 2022					
	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	3,035,609	3,199,197	2,131,785	990,002	77,410	-
Trade payables to related parties	85,007	85,007	85,007	-	-	-
Other payables to related parties	1,250,000	1,250,000	1,250,000	-	-	-
Trade payables to third parties	2,017,021	2,017,021	449,561	1,567,460	-	-
Employee benefit obligations	16,270	16,270	16,270	-	-	-
Lease liabilities	192,273	316,801	23,761	61,157	170,588	61,295
Other current liabilities (*)	6,905	6,905	6,905	-	-	-
Total non-derivative financial liabilities	6,603,085	6,891,201	3,963,289	2,618,619	247,998	61,295
Contractual maturities	31 December 2021					
	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	2,886,540	3,063,594	1,005,991	2,057,603	-	-
Trade payables to related parties	113,323	113,323	113,323	-	-	-
Other payables to related parties	-	-	-	-	-	-
Trade payables to third parties	1,117,879	1,117,879	451,467	666,412	-	-
Employee benefit obligations	38,116	38,116	38,116	-	-	-
Lease liabilities	141,744	208,971	19,058	54,702	118,208	17,003
Other current liabilities (*)	1,088	1,088	1,088	-	-	-
Total non-derivative financial liabilities	4,298,690	4,542,971	1,629,043	2,778,717	118,208	17,003

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

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NOTE 23 – 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 March 2022		
	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	(559)	559
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(559)	559
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	290,456	(290,456)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	290,456	(290,456)
TOTAL (3+6)	289,897	(289,897)

Currency sensitivity analysis		
31 December 2021		
	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	795	(795)
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	795	(795)
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	344,786	(344,786)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	344,786	(344,786)
TOTAL (3+6)	345,581	(345,581)

Currency sensitivity analysis		
31 March 2021		
	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	(166)	166
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(166)	166
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	30,599	(30,599)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	30,599	(30,599)
TOTAL (3+6)	30,433	(30,433)

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

Foreign exchange rates for USD, Euro and CHF as at 31 March 2022, 31 December 2021 and 31 March 2021 are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>	<u>31 March 2021</u>
USD	14.6371	13.3290	8.3260
EUR	16.2855	15.0867	9.7741
CHF	15.7954	14.5602	8.8191

As at 31 March 2022, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	<u>31 March 2022</u>				
	<u>Total TL equivalent</u>	<u>Original balances</u>			
	<u>USD</u>	<u>EUR</u>	<u>CHF</u>	<u>Other</u>	
Assets:					
Trade receivables	-	-	-	-	-
Monetary financial assets	2,748,071	29	168,708	3	22
Other monetary assets	1,862,870	25	114,366	-	-
Total assets	4,610,941	54	283,074	3	22
Trade payables	1,705,128	413	104,331	-	-
Financial liabilities	79,718	-	4,895	-	-
Other monetary liabilities	567	2	33	-	-
Current liabilities	1,785,413	415	109,259	-	-
Financial liabilities	77,307	-	4,747	-	-
Non-current liabilities	77,307	-	4,747	-	-
Total liabilities	1,862,720	415	114,006	-	-
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	2,748,221	(361)	169,068	3	22
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	56,735	279	3,233	-	-
Sureties and letters of guarantee given	3,975,182	-	244,093	-	-
Import	5,594,462	-	343,524	-	-

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

As at 31 December 2021, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2021				
	Total TL equivalent	Original balances			
		USD	EUR	CHF	Other
Assets:					
Trade receivables	-	-	-	-	-
Monetary financial assets	3,308,742	485	218,882	3	18
Other monetary assets	938,687	665	61,626	-	5
Total assets	4,247,429	1,150	280,508	3	23
Trade payables	791,470	554	51,972	-	-
Financial liabilities	-	-	-	-	-
Other monetary liabilities	27	2	-	-	-
Current liabilities	791,497	556	51,972	-	-
Financial liabilities	-	-	-	-	-
Non-current liabilities	-	-	-	-	-
Total liabilities	791,497	556	51,972	-	-
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	3,455,932	594	228,536	3	23
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	57,964	1,244	2,743	-	-
Sureties and letters of guarantee given	3,883,131	-	257,388	-	-
Import	27,467,362	-	1,820,634	-	-

As at 31 March 2022, goods-in-transit of the Group amount to EUR 104,776 equivalent to TL 1,706,326 (31 December 2021: EUR 53,163 equivalent to TL 802,097).

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NOTE 23 – 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 DođuŐ Holding.

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

Under the assumption of 10% increase/decrease in share prices as at 31 March 2022, all other variables held constant, the Group's equity would have been increased/decreased by TL 30,104 (31 December 2021: TL 30,104).

(e) Interest rate risk

As of 31 March 2022 and 31 December 2021, 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.

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NOTE 23 – 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.

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

As of 31 March 2022 and 31 December 2021, net carrying amounts and fair values of assets and liabilities as shown below:

31 March 2022	Financial assets at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial liabilities at amortised cost	Net carrying amount	Note
<u>Financial assets</u>					
Cash and cash equivalents	2,905,839	-	-	2,905,839	5
Financial investments	-	1,076,429	-	1,076,429	6
Trade receivables from third parties	546,072	-	-	546,072	8
Other receivables from third parties	202,317	-	-	202,317	-
Trade receivables from related parties	1,330,203	-	-	1,330,203	22.1
Other receivables from related parties	8,040	-	-	8,040	22.2
<u>Financial liabilities</u>					
Trade payables to third parties	-	-	2,017,021	2,017,021	8
Trade payables to related parties	-	-	85,007	85,007	22.5
Other payables to related parties	-	-	1,250,000	1,250,000	-
Borrowings	-	-	3,035,609	3,035,609	7
Lease liabilities	-	-	192,273	192,273	7

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

31 December 2021	Financial assets at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial liabilities at amortised cost	Net carrying amount	Note
<u>Financial assets</u>					
Cash and cash equivalents	3,409,576	-	-	3,409,576	5
Financial investments	-	831,804	-	831,804	6
Trade receivables from third parties	354,791	-	-	354,791	8
Other receivables from third parties	143,802	-	-	143,802	-
Trade receivables from related parties	656,025	-	-	656,025	22.1
Other receivables from related parties	7,917	-	-	7,917	22.2
<u>Financial liabilities</u>					
Trade payables to third parties	-	-	1,117,879	1,117,879	8.2
Trade payables to related parties	-	-	113,323	113,323	22.5
Other payables to related parties	-	-	-	-	-
Borrowings	-	-	2,886,540	2,886,540	7
Lease liabilities	-	-	141,744	141,744	7

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Classification regarding fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions
- Level 3: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

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:

	31 March 2022			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Financial assets measured at fair value through other comprehensive income (Note 6)	-	1,076,429	-	1,076,429
Total financial assets	-	1,076,429	-	1,076,429

	31 December 2021			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Financial assets measured at fair value through other comprehensive income (Note 6)	-	831,804	-	831,804
Total financial assets	-	831,804	-	831,804

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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NOTE 24 – RIGHT OF USE ASSET

As of 31 March 2022, the net book value of the right of use assets is TL 159,858 (31 March 2021: TL 81,498). As of 31 March 2022 and 2021, the balances of the right to use assets and the depreciation and amortization expenses during the period are as follows:

31 March 2022	Showroom and area leases	Motor vehicles	Other	Total
Right of use asset - 1 January 2022	78,655	30,413	-	109,068
Additions	59,532	4,944	-	64,476
Disposals	-	-	-	-
Depreciation expenses	(9,825)	(3,861)	-	(13,686)
Right of use asset - 31 March 2022	128,362	31,496	-	159,858

31 March 2021	Showroom and area leases	Motor vehicles	Other	Total
Right of use asset - 1 January 2021	71,653	4,202	-	75,855
Additions	14,148	3,358	-	17,506
Disposals	(1,789)	(44)	-	(1,833)
Depreciation expenses	(8,053)	(1,977)	-	(10,030)
Right of use asset - 31 March 2021	75,959	5,539	-	81,498

As of 31 March 2022, TL 13,686 depreciation expense arising from the usage rights is accounted under general administrative expenses (31 March 2021: TL 10,030).

NOTE 25 – SUBSEQUENT EVENTS

None.

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