

DOĐUŐ OTOMOTİV SERVİS VE TİCARET A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2021
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

1. 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 30 September 2021, the condensed consolidated statement of income, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity, condensed consolidated cash flows and other explanatory notes for the nine-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

2. 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

3. 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, 9 November 2021

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020

(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 30 SEPTEMBER 2021 AND 31 DECEMBER 2020

(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 30 September 2021</u>	<u>Audited 31 December 2020</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,018,028	655,599
Trade receivables		938,487	1,047,149
<i>Trade receivables due from related parties</i>	22.1	737,773	561,857
<i>Trade receivables due from third parties</i>		200,714	485,292
Other receivables		106,837	103,672
<i>Other receivables due from related parties</i>	22.2	7,859	6,464
<i>Other receivables due from third parties</i>	9	98,978	97,208
Inventories	10	1,808,027	2,751,843
Prepayments		39,707	29,250
Other current assets		3,887	14,361
Total current assets		4,914,973	4,601,874
NON-CURRENT ASSETS			
Financial investments		561,545	561,545
<i>Financial assets measured at fair value through other comprehensive income</i>	6	561,545	561,545
Other receivables		8,579	10,115
<i>Other receivables due from related parties</i>		1,407	1,066
<i>Other receivables due from third parties</i>		7,172	9,049
Investments accounted for using equity method	11	747,902	790,730
Investment property	13	103,740	105,419
Property, plant and equipment	12	965,932	900,928
Right of use asset	24	109,497	75,855
Intangible assets		77,582	55,410
Prepayments		4,034	9,743
Deferred tax asset	20	34,640	5,515
Total non-current assets		2,613,451	2,515,260
TOTAL ASSETS		7,528,424	7,117,134

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 30 SEPTEMBER 2021 AND 31 DECEMBER 2020

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

	Notes	Reviewed 30 September 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Current borrowings	7	2,674,782	2,096,708
Short-term portion of long-term borrowings	7	230,266	55,901
Trade payables		979,717	1,853,830
<i>Trade payables to related parties</i>	22.5	49,609	131,770
<i>Trade payables to third parties</i>	8.2	930,108	1,722,060
Employee benefit obligations		14,619	100,027
Other payables		-	101,594
<i>Other payables to related parties</i>	22.6	-	101,594
Deferred income		59,482	43,658
Current tax liabilities	20	110,119	28,086
Current provisions		39,659	38,740
<i>Other current provisions</i>	14	39,659	38,740
Other current liabilities	15	143,849	148,577
Total current liabilities		4,252,493	4,467,121
NON-CURRENT LIABILITIES			
Long-term borrowings	7	94,694	234,307
Deferred income		35,243	14,219
Non-current provisions		129,804	98,606
<i>Non-current provisions for employee benefits</i>		67,970	56,197
<i>Other long-term provisions</i>		61,834	42,409
Deferred tax liabilities	20	-	7,147
Total non-current liabilities		259,741	354,279
TOTAL LIABILITIES		4,512,234	4,821,400
EQUITY			
Equity attributable to equity holders of the Company		3,003,147	2,286,951
Issued capital	16	220,000	220,000
Inflation adjustment on capital	16	23,115	23,115
Treasury shares (-)		(220,380)	(220,325)
Other accumulated comprehensive income (loss) that will not be reclassified in profit or loss		(25,566)	(22,080)
<i>Gains (losses) on revaluation and remeasurement</i>		(25,566)	(22,080)
<i>Gains (losses) on remeasurements of defined benefit plans</i>		(25,566)	(22,080)
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		487,413	483,515
<i>Exchange differences on translation</i>	16	5,976	2,078
<i>Gains (losses) on revaluation and reclassification</i>		481,437	481,437
<i>Gains (losses) from financial assets measured at fair value through other comprehensive income</i>	16	481,437	481,437
Restricted reserves appropriated from profits	16	469,108	405,826
<i>Legal reserves</i>		199,463	136,236
<i>Treasury share reserves</i>		220,380	220,325
<i>Other restricted profit reserves</i>		49,265	49,265
Prior years' profit or losses	16	793,563	359,566
Profit (loss) for the period		1,255,894	1,037,334
Non-controlling interests		13,043	8,783
TOTAL EQUITY		3,016,190	2,295,734
TOTAL EQUITY AND LIABILITIES		7,528,424	7,117,134

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

	Notes	Reviewed	Reviewed	Reviewed	Reviewed
		1 January – 30 September 2021	1 January – 30 September 2020	1 July – 30 September 2021	1 July – 30 September 2020
PROFIT OR LOSS					
Revenue		18,445,946	12,069,738	4,846,202	6,343,089
Cost of sales		(15,962,447)	(10,517,907)	(4,070,161)	(5,541,228)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		2,483,499	1,551,831	776,041	801,861
GROSS PROFIT (LOSS)		2,483,499	1,551,831	776,041	801,861
General administrative expenses	17.2	(404,139)	(314,391)	(143,750)	(107,096)
Marketing expenses	17.1	(327,188)	(224,047)	(104,038)	(94,980)
Other income from operating activities		103,217	92,867	39,106	60,309
Other expenses from operating activities		(127,493)	(64,427)	(40,491)	(22,736)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		1,727,896	1,041,833	526,868	637,358
Investment activity income	18	31,413	16,168	14,901	3,804
Share of profit (loss) from investments accounted for using equity method	11	256,053	175,553	78,773	89,112
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		2,015,362	1,233,554	620,542	730,274
Financial income	19	45,499	41,872	20,032	10,947
Financial expense	19	(463,191)	(356,134)	(179,362)	(99,583)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		1,597,670	919,292	461,212	641,638
Tax (expense) income, continuing operations		(337,516)	(174,485)	(89,901)	(127,234)
Current period tax (expense) income	20	(372,917)	(187,798)	(115,638)	(161,725)
Deferred tax (expense) income	20	35,401	13,313	25,737	34,491
PROFIT (LOSS) FROM CONTINUING OPERATIONS		1,260,154	744,807	371,311	514,404
PROFIT (LOSS)		1,260,154	744,807	371,311	514,404
Profit (loss), attributable to					
Non-controlling interests		4,260	3,629	1,352	2,629
Owners of parent		1,255,894	741,178	369,959	511,775
Basic earnings per share					
Basic earnings(loss) per share from continuing operations	21	6.3429	3.7433	1.8685	2.5847
Diluted earnings per share					
Diluted earnings(loss) per share from continuing operations	21	6.3429	3.7433	1.8685	2.5847

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM OF OTHER COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

	Notes	Reviewed 1 January - 30 September 2021	Reviewed 1 January - 30 September 2020	Reviewed 1 July - 30 September 2021	Reviewed 1 July - 30 September 2020
PROFIT (LOSS)		1,260,154	744,807	371,311	514,404
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss		(3,486)	(1,540)	(1,616)	(903)
Gains (losses) on remeasurements of defined benefit plans		(4,357)	(1,974)	(2,020)	(1,157)
Other comprehensive income that will not be reclassified to profit or loss, tax effect		871	434	404	254
<i>Gains (losses) on remeasurements of defined benefit plans, tax effect</i>	20	871	434	404	254
Other comprehensive income that will be reclassified to profit or loss		3,898	(300)	(430)	(322)
Foreign currency translation differences		3,898	(300)	(430)	(322)
OTHER COMPREHENSIVE INCOME (LOSS)		412	(1,840)	(2,046)	(1,225)
TOTAL COMPREHENSIVE INCOME (LOSS)		1,260,566	742,967	369,265	513,179
Total comprehensive income attributable to					
Non-controlling interests		4,260	3,629	1,351	2,629
Owners of parent		1,256,306	739,338	367,914	510,550

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

(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 2020	220,000	23,115	(220,310)	(24,322)	2,047	479,329	397,068	292,547	75,777	1,245,251	7,290	1,252,541
Transfers	-	-	-	-	-	-	8,743	67,034	(75,777)	-	-	-
Total comprehensive income (loss)	-	-	-	(1,540)	(300)	-	-	-	741,178	739,338	3,629	742,967
Profit (loss) for the period	-	-	-	-	-	-	-	-	741,178	741,178	3,629	744,807
Other comprehensive income (loss)	-	-	-	(1,540)	(300)	-	-	-	-	(1,840)	-	(1,840)
Profit shares	-	-	-	-	-	-	-	-	-	-	(3,043)	(3,043)
Increase due to repurchase transactions of shares	-	-	(11)	-	-	-	11	(11)	-	(11)	-	(11)
Balance at 30 September 2020	220,000	23,115	(220,321)	(25,862)	1,747	479,329	405,822	359,570	741,178	1,984,578	7,876	1,992,454
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)	-	-	-	(3,486)	3,898	-	-	-	1,255,894	1,256,306	4,260	1,260,566
Profit (loss) for the period	-	-	-	-	-	-	-	-	1,255,894	1,255,894	4,260	1,260,154
Other comprehensive income (loss)	-	-	-	(3,486)	3,898	-	-	-	-	412	-	412
Profit shares	-	-	-	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Increase due to repurchase transactions of shares	-	-	(55)	-	-	-	55	59,890	-	59,890	-	59,890
Balance at 30 September 2021	220,000	23,115	(220,380)	(25,566)	5,976	481,437	469,108	793,563	1,255,894	3,003,147	13,043	3,016,190

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

	Notes	Reviewed 30 September 2021	Reviewed 30 September 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss)		1,626,887	186,598
Profit (loss) from continued operations		1,260,154	744,807
Adjustments to for profit (loss) for the period reconciliation:		763,156	601,131
Adjustments for depreciation and amortization expense	17.2	131,455	95,417
Adjustments for (reversal of) impairment		3,853	7,523
-Adjustments for (reversal of) impairment loss of receivables		(36)	2,929
-Adjustments for (reversal of) impairment loss of inventories	10	3,889	4,594
Adjustments for provisions		224,267	257,162
-Adjustments for provisions for employee benefits		10,748	8,529
-Adjustments for (reversal of) lawsuit and/or penalty provision expenses		3,981	1,794
-Adjustments for (reversal of) warranty provisions		97,152	72,532
-Adjustments for (reversal of) other provisions		112,386	174,307
Adjustments for interest (income) and expense		353,173	243,239
-Adjustments for interest income	19	(45,499)	(41,872)
-Adjustments for interest expense	19	398,672	285,111
Adjustments for unrealized foreign exchange losses (gains)		358	15,026
Adjustments for undistributed profits of investments accounted for using equity method	11	(256,053)	(175,553)
Adjustments for tax (income) expenses	20	337,516	174,485
Adjustments for losses (gains) on disposal of non-current assets		(31,413)	(16,168)
-Adjustments for losses (gains) on disposal of property, plant and equipment	18	(31,413)	(16,168)
Changes in working capital		(21,419)	(1,067,078)
Adjustments for decrease (increase) in trade receivables		108,698	(824,018)
-Decrease (increase) in due from related parties		(175,916)	(724,925)
-Decrease (increase) in due from third parties		284,614	(99,093)
Adjustments for decrease (increase) in inventories		939,927	(1,656,142)
Adjustments for increase (decrease) in trade payables		(986,499)	1,206,579
-Increase (decrease) in due to related parties		(82,161)	72,842
-Increase (decrease) in due to third parties		(904,338)	1,133,737
Increase (decrease) in deferred income		36,848	36,261
Adjustments for other increase (decrease) in working capital		(120,393)	170,242
Cash flows from operations		2,001,891	278,860
Payments related with provisions for employee benefits		(3,330)	(1,661)
Payments related with other provisions		(80,790)	(65,863)
Income taxes refund (paid)		(290,884)	(24,738)
B. CASH FLOWS FROM INVESTING ACTIVITIES		148,034	(21,629)
Cash outflows due to share purchase or capital increase of affiliates or business partners		-	(942)
Cash inflow by proceeds from sales of property, plant and equipment and intangible assets		43,316	26,798
- Cash inflow by proceeds from sales of property, plant and equipment		43,316	26,798
Cash outflow by acquisition of property, plant and equipment and intangible assets		(194,163)	(59,258)
-Cash outflow by acquisition of property, plant and equipment	12	(143,410)	(34,438)
-Cash outflow by acquisition of intangible assets		(50,753)	(24,820)
Dividends received		298,881	11,773
C. CASH FLOWS FROM FINANCING ACTIVITIES		(414,183)	(312,692)
Proceeds from issuance of borrowings		2,596,252	690,707
Repayments of borrowings		(2,056,713)	(703,992)
Cash outflows on debt payments from leasing agreements		(58,898)	(33,703)
Dividends paid		(600,000)	(3,043)
Interest paid		(340,323)	(304,533)
Interest received		45,499	41,872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		1,360,738	(147,723)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,691	(6,443)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		1,362,429	(154,166)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	655,599	648,342
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	2,018,028	494,176

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

(Convenience translation of consolidated 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, 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 30 September 2021 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 30 September 2021 is 794 (31 December 2020: 785) whereas the average number of white-collar employees of the Group for the period ended 30 September 2021 is 1,367 (31 December 2020: 1,343).

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

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

NOTE 2 – BASIS OF PREPARATION OF 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 30 September 2021 have been approved by the Board of Directors on 9 November 2021. 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 new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated interim financial statements as at 30 September 2021 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 2021. The effects of these standards and interpretations on the Group's financial position and performance has disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 30 September, are as follows:

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 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 standard is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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.

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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)

The new standards, amendments and interpretations (Continued)

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

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.

- **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’.

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.

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

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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)

(i) *Business Combinations (Continued)*

- 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

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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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)

The table below sets out all the subsidiaries included in the scope of consolidation and shows the Group's share of control as at 30 September 2021 and 31 December 2020:

	<u>30 September 2021</u>	<u>31 December 2020</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. 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.

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 30 September 2021 and 31 December 2020.

	<u>30 September 2021</u>	<u>31 December 2020</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%

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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)

(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 30 September 2021 and 31 December 2020:

	30 September 2021	31 December 2020
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%	49.00%
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. ("Doğuş Teknoloji")	21.76%	21.76%
Volkswagen Doğuş Finansman A.Ş. ("VDF") (**)	-	48.00%

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

(**) The Group has transferred its shares in VDF to VDF Servis with the "partial demerger through associate model".

(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.

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

2.5 Comparative Information

The Group has prepared the condensed consolidated interim statement of financial position as at 30 September 2021 comparatively with the consolidated statement of financial position as at 31 December 2020, 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 ninemonth period ended 30 September 2021 comparative to the ninemonth period ended 30 September 2020.

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 nine months period ended 30 September 2021 with those consolidated financial statements for the year ended 31 December 2020. The condensed consolidated interim financial statements should be read together with the consolidated financial statements for the year ended 31 December 2020.

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).

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).

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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 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 30 September 2021, 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 30 September 2021.

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, 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 nine and three month periods ended 30 September 2021 and 2020 are as follows:

For the ninemonth period ended 30 September 2021	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	13,036,665	3,742,058	1,667,223	18,445,946
Cost of sales	(11,587,875)	(3,237,191)	(1,133,492)	(15,958,558)
Gross profit	1,448,790	504,867	533,731	2,487,388
General administration expenses	(128,386)	(21,601)	(170,571)	(320,558)
Marketing expenses	(199,371)	(53,667)	(72,467)	(325,505)
Depreciation expenses	(35,255)	(5,389)	(60,601)	(101,245)
Other income from operating activities net	(460)	(51)	(16,447)	(16,958)
Operating income	1,085,318	424,159	213,645	1,723,122

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NOTE 4 – OPERATING SEGMENTS (Continued)

For the ninemonth period ended 30 September 2020	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	9,078,450	1,849,600	1,141,688	12,069,738
Cost of sales	(8,111,146)	(1,613,539)	(788,629)	(10,513,314)
Gross profit	967,304	236,061	353,059	1,556,424
General administration expenses	(95,986)	(15,931)	(140,206)	(252,123)
Marketing expenses	(143,195)	(37,251)	(50,659)	(231,105)
Depreciation expenses	(28,864)	(4,336)	(45,723)	(78,923)
Other income from operating activities net	29,081	1,058	2,661	32,800
Operating income	728,340	179,601	119,132	1,027,073
For the three month period ended 30 September 2021	Passenger segment	Commercial segment	Other Segments	Total
Revenue from external customers	3,300,543	838,187	707,472	4,846,202
Cost of sales	(2,861,484)	(730,106)	(475,063)	(4,066,653)
Gross profit	439,059	108,081	232,409	779,549
General administration expenses	(43,708)	(7,441)	(64,169)	(115,318)
Marketing expenses	(65,280)	(18,238)	(26,865)	(110,383)
Depreciation expenses	(12,495)	(1,937)	(25,911)	(40,343)
Other income from operating activities net	11,226	1,226	(11,750)	702
Operating income	328,802	81,691	103,714	514,207
For the three month period ended 30 September 2020	Passenger segment	Commercial segment	Other Segments	Total
Revenue from external customers	4,804,504	1,027,718	510,867	6,343,089
Cost of sales	(4,294,888)	(895,661)	(347,778)	(5,538,327)
Gross profit	509,616	132,057	163,089	804,762
General administration expenses	(36,095)	(6,407)	(45,618)	(88,120)
Marketing expenses	(58,079)	(15,412)	(18,720)	(92,211)
Depreciation expenses	(10,409)	(1,776)	(16,726)	(28,911)
Other income from operating activities net	33,453	1,074	3,737	38,264
Operating income	438,486	109,536	85,762	633,784

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NOTE 4 – OPERATING SEGMENTS (Continued)

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:

	1 January - 30 September 2021	1 January - 30 September 2020
Operating profit for reportable segments	1,723,122	1,027,073
Provision for legal exposures	(1,032)	(433)
Provision for employee termination benefits	14,571	7,383
Provision for unused vacation	(3,662)	(2,023)
Provision for diminution in value of inventories	(3,889)	(4,594)
Warranty provision expense	(19,311)	(8,028)
Depreciation and amortization	(30,210)	(16,493)
Share of profit of equity accounted investees	256,053	175,553
Income from investment activities	31,413	16,168
Finance expense, net	(417,692)	(314,262)
Other	48,307	38,948
Profit before tax	1,597,670	919,292

	1 July - 30 September 2021	1 July - 30 September 2020
Operating profit for reportable segments	514,207	633,784
Provision for legal exposures	(352)	19
Provision for employee termination benefits	6,750	4,160
Provision for unused vacation	(795)	(1,351)
Provision for diminution in value of inventories	(3,508)	(2,901)
Warranty provision expense	469	(7,798)
Depreciation and amortization	(7,030)	(2,959)
Share of profit of equity accounted investees	78,773	89,112
Income from investment activities	14,901	3,804
Finance expense, net	(159,330)	(88,636)
Other	17,127	14,404
Profit before tax	461,212	641,638

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NOTE 5 – CASH AND CASH EQUIVALENTS

As at 30 September 2021 and 31 December 2020, cash and cash equivalents comprise the following:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Cash on hand	292	231
Cash at banks	2,017,736	655,368
- Demand deposits	1,365,256	355,512
- Time deposits	651,978	299,513
- Other cash and cash equivalents	502	343
Total	<u>2,018,028</u>	<u>655,599</u>

As at 30 September 2021, average effective interest rate on TL denominated time deposits 18% (31 December 2020: TL 17.05%), As at 30 September 2021, maturity of time deposits is 1 day (31 December 2020: 1 day).

There is no blocked deposit as at 30 September 2021 and 31 December 2020.

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

NOTE 6 – FINANCIAL INVESTMENTS

As at 30 September 2021 and 31 December 2020, available-for-sale financial assets comprise of the following:

	<u>30 September 2021</u>		<u>31 December 2020</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	561,545	3.69	561,545
		<u>561,545</u>		<u>561,545</u>

As of 31 December 2020, 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>2021</u>	<u>2020</u>
Balance at 1 January	561,545	561,463
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-
Balance at 30 September	<u>561,545</u>	<u>561,463</u>

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

NOTE 7 – BORROWINGS

As at 30 September 2021 and 31 December 2020, financial liabilities with the effective interest rates, comprise the following:

	<u>30 September 2021</u>		<u>31 December 2020</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short-term bank borrowings:				
TL denominated interest bearing borrowings	21.35	<u>2,674,782</u>	12.97	<u>2,096,708</u>
Total		<u>2,674,782</u>		<u>2,096,708</u>

	<u>30 September 2021</u>		<u>31 December 2020</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	<u>181,178</u>	12	<u>19,471</u>
Total		<u>181,178</u>		<u>19,471</u>

	<u>30 September 2021</u>		<u>31 December 2020</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Long-term bank borrowings:				
TL denominated interest bearing borrowings	-	<u>-</u>	12	<u>161,762</u>
Total		<u>-</u>		<u>161,762</u>

The repayment schedule of long-term bank borrowings including their short-term portions as at 30 September 2021 is as follows:

<u>Payment period</u>	<u>Original amount (TL)</u>	<u>TL equivalent</u>
2021	5,102	5,102
2022	176,076	176,076
Total	<u>181,178</u>	<u>181,178</u>

The repayment schedule of long-term bank borrowings including their short-term portions as at 31 December 2020 is as follows:

<u>Payment period</u>	<u>Original amount (TL)</u>	<u>TL equivalent</u>
2021	19,471	19,471
2022	161,762	161,762
Total	<u>181,233</u>	<u>181,233</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 7 – BORROWINGS (Continued)

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

Movements of financial borrowings as 30 September 2021 and 2020 are summarized below:

Bank Borrowings	2021	2020
Balance at 1 January	2,277,941	2,320,281
Additions during the period	2,596,252	690,707
Payments during the period	(2,056,713)	(703,992)
Foreign exchange (gains) / losses	-	13,896
Changes in interest accrual	38,480	(40,870)
Balance at 30 September	2,855,960	2,280,022

As of 30 September 2021 and 31 December 2020, the details of the financial lease liabilities are as follows:

	30 September 2021		31 December 2020	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Short term portion of long term leases:				
TL leases	25.68	48,276	25.68	33,684
EUR leases	5.57	812	5.57	2,746
Total		49,088		36,430

	30 September 2021		31 December 2020	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Long term leases:				
TL leases	25.68	94,694	25.68	72,545
Total		94,694		72,545

Movement of financial lease liabilities as 30 September 2021 and 2020 are summarized below:

	2021	2020
Balance at 1 January	108,975	117,771
Additions	78,198	8,567
Prepayments	(49)	-
Payments	(58,849)	(33,703)
Disposals	(4,720)	(6,108)
Interest expenses	19,869	21,448
Foreign exchange gain/loss	358	1,130
Balance at 30 September	143,782	109,105

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 30 September 2021, TL 78,690 of trade receivables due from third parties are covered via letters of guarantee (31 December 2020: TL 101,422).

As at 30 September 2021, overdue trade receivables due from non-related parties that are not impaired amount to TL 19,493 (31 December 2020: TL 64,688), TL 2,195 of such overdue receivables are covered via guarantee letters (31 December 2020: TL 14,139).

As at 30 September 2021, the Group's average maturity of trade receivables due from third parties is 14 days (31 December 2020: 20 days).

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

8.2 Trade Payables

As at 30 September 2021 and 31 December 2020, trade payables to third parties consist of the following:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Payables to OEM companies	746,255	1,405,942
Dealer premium accrual (*)	112,386	-
Payables to dealers (*)	-	234,375
Other trade payables (**)	70,297	79,302
Other expense accruals	1,170	2,441
Total	<u>930,108</u>	<u>1,722,060</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 2020: 0.95% 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 9 – OTHER RECEIVABLES

As at 30 September 2021 and 31 December 2020, other receivables due from third parties comprise of the following:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Warranty claims and price difference receivables (*)	69,978	69,777
Receivables due to insurance claims	20,334	18,149
Other	8,666	9,282
Total	<u>98,978</u>	<u>97,208</u>

(*) Warranty receivables represent the receivable of the warranty expenses related to the vehicles imported by the Group. As at 30 September 2021, the other receivables that has not been billed are TL 25,697 (31 December 2020: TL 41,096).

NOTE 10 – INVENTORIES

As at 30 September 2021 and 31 December 2020, inventories comprise of the following:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Goods in transit (*)	737,730	1,461,583
Merchandise stocks – vehicles	793,175	1,019,489
Merchandise stocks – spare parts	287,643	277,403
	1,818,548	2,758,475
Provision for diminution in the value of inventories (-)	(10,521)	(6,632)
Total	<u>1,808,027</u>	<u>2,751,843</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 15,842,612 for the nine month period ended 30 September 2021 (30 September 2020: TL 10,429,031).

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>2021</u>	<u>2020</u>
Balance at 1 January	6,632	6,432
Additions in the current period	3,889	4,594
Balance at 30 September	<u>10,521</u>	<u>11,026</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As at 30 September 2021 and 31 December 2020, investment in associates, joint ventures and the Group's share of control are as follows:

	30 September 2021		31 December 2020	
	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
<u>Associates</u>				
VDF Servis	48.79	476,979	49	240,012
Yüce Auto	50	44,408	50	86,595
Doğuş Sigorta	42	40,263	42	38,743
Doğuş Teknoloji	21.76	30,249	21.76	29,909
VDF	-	-	48	131,406
Total		591,899		526,665
<u>Joint ventures</u>				
TÜVTURK Kuzey – Güney	33.33	156,003	33.33	264,065
Total		156,003		264,065
Grand total		747,902		790,730

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

	2021	2020
Balance at 1 January	790,730	452,264
Shares in profits of associates, net	133,790	75,196
Shares in profits of joint ventures, net	122,263	100,357
Dividend income from associates	(68,556)	(11,773)
Dividend income from joint ventures	(230,325)	-
Participation in capital increase of associates and joint ventures	-	942
Balance at 30 September	747,902	616,986

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

As at 30 September 2021, 31 December 2020 and 30 September 2020, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	30 September 2021						30 September 2021		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	8,640,859	3,345,514	11,986,373	9,930,034	879,876	10,809,910	5,498,680	(5,223,121)	275,559
Joint ventures	635,811	803,226	1,439,037	588,180	382,841	971,021	2,832,292	(2,465,465)	366,827
	31 December 2020						30 September 2020		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	9,766,100	2,801,225	12,567,325	10,770,695	757,771	11,528,466	3,816,315	(3,649,701)	166,614
Joint ventures	850,670	835,480	1,686,150	480,822	413,133	893,955	2,313,225	(2,011,010)	302,215

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

As at 30 September 2021, 31 December 2020 and 30 September 2020, cash and cash equivalents, current and non-current liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	30 September 2021			30 September 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	432,797	8,771,349	816,266	5,193,591	(39,928)	18,934	(289,215)	(58,104)
Joint ventures	295,296	16,665	19,955	2,734,276	(21,506)	39,888	(1,686)	(133,880)
	31 December 2020			30 September 2020				
	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	445,205	9,580,276	731,631	3,271,843	(31,618)	23,065	(143,803)	(42,257)
Joint ventures	663,466	6,013	27,130	2,284,940	(21,036)	21,779	(3,553)	(92,781)

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the nine month period ended 30 September 2021 are as follows:

	1 January 2021	Additions	Disposals	Transfers (*)	Foreign currency translation difference	30 September 2021
<i>Cost:</i>						
Land	285,839	-	-	-	-	285,839
Land improvements	19,366	410	-	95	-	19,871
Buildings	397,693	1,478	-	3,489	-	402,660
Machinery and equipments	75,497	5,151	(3,606)	1,759	322	79,123
Motor vehicles	246,383	105,938	(22,683)	95	(163)	329,570
Furniture and fixtures	82,587	8,882	(4,678)	3,290	290	90,371
Leasehold improvements	139,230	93	(39,207)	3,931	3,636	107,683
Constructions in progress	11,412	21,458	-	(12,853)	-	20,017
	1,258,007	143,410	(70,174)	(194)	4,085	1,335,134
<i>Accumulated depreciation:</i>						
Land improvements	(14,424)	(598)	-	-	-	(15,022)
Buildings	(65,361)	(6,258)	-	-	-	(71,619)
Machinery and equipments	(44,367)	(4,346)	2,534	-	(212)	(46,391)
Motor vehicles	(85,855)	(44,002)	13,165	-	(17)	(116,709)
Furniture and fixtures	(57,208)	(7,110)	4,498	-	(237)	(60,057)
Leasehold improvements	(89,864)	(6,200)	38,074	-	(1,414)	(59,404)
	(357,079)	(68,514)	58,271	-	(1,880)	(369,202)
Carrying amount	900,928					965,932

Total depreciation expense amounting to TL 68,514 has been allocated to general administrative expenses in the condensed consolidated profit or loss statement for the nine month period ended 30 September 2021 (30 September 2020: TL 47,721).

As at 30 September 2021, Lien on land owned by the Group has been discharged to TL 350,000 (31 December 2020: TL 440,000).

As at 30 September 2021, borrowing cost amounting to TL 54,089 is capitalized on property and equipments (31 December 2020: TL 54,089).

(*) As of 30 September 2021, TL 194 of transfers consists of transfers to intangible assets.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property, plant and equipment and related accumulated depreciation for the ninemonth period ended 30 September 2020 are as follows:

	1 January 2020	Additions	Disposals	Transfers	Foreign currency translation difference	30 September 2020
<i>Cost:</i>						
Land	285,839	-	-	-	-	285,839
Land improvements	18,549	-	-	-	-	18,549
Buildings	395,842	687	-	-	-	396,529
Machinery and equipments	69,368	2,613	(2)	-	801	72,780
Motor vehicles	161,814	23,988	(20,330)	-	41	165,513
Furniture and fixtures	69,809	4,955	(1,114)	193	612	74,455
Leasehold improvements	128,209	153	(1,171)	2,457	9,051	138,699
Constructions in progress	3,157	2,042	-	(3,206)	-	1,993
	1,132,587	34,438	(22,617)	(556)	10,505	1,154,357
<i>Accumulated depreciation:</i>						
Land improvements	(13,690)	(547)	-	-	-	(14,237)
Buildings	(57,053)	(6,227)	-	-	-	(63,280)
Machinery and equipments	(38,483)	(4,121)	-	-	(500)	(43,104)
Motor vehicles	(60,816)	(25,098)	10,245	-	(41)	(75,710)
Furniture and fixtures	(50,272)	(5,735)	1,078	-	(588)	(55,517)
Leasehold improvements	(64,514)	(5,993)	664	-	(3,239)	(73,082)
	(284,828)	(47,721)	11,987	-	(4,368)	(324,930)
Carrying amount	847,759					829,427

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 13 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the nine months period ended 30 September 2021 and 2020 are as follows:

	2021	2020
Cost:		
Balance at 1 January	111,773	111,773
Balance at 30 September	111,773	111,773
Accumulated depreciation		
Balance at 1 January	(6,354)	(4,115)
Additions	(1,679)	(1,679)
Balance at 30 September	(8,033)	(5,794)
Net book value as of 1 January	105,419	107,658
Net book value as of 30 September	103,740	105,979

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

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

The fair value of the investment property has been determined by a CMB licensed property appraiser company in October and November 2020, the fair value of the Doğuş Teknoloji building amounts to TL 32,835 and TL 103,590 for Kartal Tower respectively (Level 2).

The useful life of the building that is classified as investment property is 50 years. In 2021, the Group has recognized TL 122 rent income from the related investment property (30 September 2020: TL 109).

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of short-term provisions as at 30 September 2021 and 31 December 2020 is presented below:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Legal provisions	33,516	32,483
Warranty provisions	6,143	6,257
Total	<u>39,659</u>	<u>38,740</u>

The breakdown of long-term provisions as at 30 September 2021 and 31 December 2020 is presented below:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Warranty provisions	61,834	42,409
Total	<u>61,834</u>	<u>42,409</u>

14.2 Collaterals / Pledges / Mortgages / Bill of Guarantees Given

As at 30 September 2021, the Group's position related to letters of collaterals / pledges / mortgages / bill of guarantees guarantee given, pledges and mortgages ("CPMB") are as follows:

	<u>30 September 2021</u>				
	<u>Total TL equivalent</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	3,011,880	414,035,707	-	251,887,700	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	38,929	38,928,744	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	77,351	-	-	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>3,128,160</u>	<u>452,964,451</u>	<u>-</u>	<u>259,387,700</u>	<u>-</u>

Other CPMBs given by the Group as at 30 September 2021 are equivalent to 0% of the Company's equity (31 December 2020: 0%).

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 2020: 26,000).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 2020, 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 2020				
	Total TL equivalent	Full TL	Full USD	Original balances Full Euro	Full CHF
A. Total amount of CPMB given on behalf of own legal personality	2,718,192	509,565,441	-	245,187,700	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	35,739	35,739,274	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	92,559	25,000,000	-	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	2,846,490	570,304,715	-	252,687,700	-

14.3 Collaterals / Pledges / Mortgages / Bill of Guarantees Received

As at 30 September 2021 and 31 December 2020, the Group's position related to letter of guarantees received are as follows:

	30 September 2021	31 December 2020
Letters of guarantees received from dealers	92,402	90,251
Letters of guarantees received from fixed asset and service suppliers	45,834	46,214
Letter of guarantees received from fleet customers	12,300	35,950
Mortgages received from dealers	-	25,000
Total	150,536	197,415

NOTE 15 – OTHER CURRENT LIABILITIES

As at 30 September 2021 and 31 December 2020, other current liabilities comprise of the following:

	30 September 2021	31 December 2020
VAT payable	142,625	146,846
Other current liabilities	1,224	1,731
Total	143,849	148,577

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 16 – EQUITY

Issued Capital

As at 30 September 2021, the registered capital of the Company is TL 220,000 (31 December 2020: 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 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 30 September 2021 and 31 December 2020, the composition of the Company's shareholding structure is as follows:

Shareholders	30 September 2021		31 December 2020	
	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:

	30 September 2021	31 December 2020
Treasury share reserves	220,380	220,325
Legal reserves	199,463	136,236
Other restricted profit reserves	49,265	49,265
Total	469,108	405,826

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 30 September 2021, the legal reserves of the Group amounted to TL 199,463 (31 December 2020: TL 136,236).

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NOTE 16 – EQUITY (Continued)

Restricted reserves appropriated from profits (Continued)

The 75% portion of gains amounting to TL 49,265 arising from the sale of participation share on joint venture and associates on 6 September 2013 and 16 February 2015 respectively recognized in statutory financial statements has been reclassified as “other restricted profit reserves”, As at 30 September 2021, the other restricted profit reserves of the Group amounted to TL 49,265 (31 December 2020: TL 49,265).

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 30 September 2021, retained earnings are TL 793,563 (31 December 2020: TL 359,566).

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 30 September 2021, gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income of the Group amounted to TL 481,437 (31 December 2020: TL 481,437).

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 30 September 2021, the foreign currency translation differences of the Group amounted to TL 5,976 (31 December 2020: TL 2,078).

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NOTE 16 – EQUITY (Continued)

Dividend

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué 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 Communiqué, no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their articles of association.

Additionally, dividends can be paid via equal or different installments and companies can distribute dividend advances based on profits at financial statements.

In the General Assembly Meeting which was held on 30 March 2021, it has been decided to distribute cash dividends amounting to TL 600,000 to shareholders on previous year's distributable profit which was calculated by deducting legal reserves from period income. It has been decided that TL 58,900 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 30 September 2021 and 31 December 2020, the related amounts in the "non-controlling interests" account in the consolidated financial statements are TL 13,043 and TL 8,783 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 nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
General administrative expenses	404,139	314,391	143,750	107,096
Marketing expenses	327,188	224,047	104,038	94,980
Total	731,327	538,438	247,788	202,076

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

17.1 Marketing Expenses

The breakdown of marketing expenses for the nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Warranty expenses, net	97,152	72,532	30,969	32,702
Distribution expenses	80,049	55,561	24,402	25,173
Personnel expenses	78,413	56,806	29,008	23,657
Advertising expenses	60,604	29,591	14,191	9,850
Customer service expenses	10,400	7,624	5,266	3,456
Support expenses	570	1,933	202	142
Total	327,188	224,047	104,038	94,980

17.2 General Administrative Expenses

The breakdown of general administration expenses for the nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Personnel expenses	141,290	116,412	49,406	43,387
Depreciation and amortization expenses	131,455	95,417	47,374	31,872
Building expenses	39,660	32,290	14,182	10,855
Maintenance expenses	31,088	23,606	10,783	8,372
Insurance expenses	11,427	7,376	3,865	2,508
Consultancy expenses	11,071	8,742	4,231	3,339
Vehicle expenses	7,546	4,713	3,083	1,935
Communication expenses	1,947	1,625	665	575
Corporate governance expenses	575	575	-	-
Travelling expenses	486	1,940	102	11
Other	27,594	21,695	10,059	4,242
Total	404,139	314,391	143,750	107,096

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 18 – INVESTMENT ACTIVITY INCOME

The breakdown of income from investment activities for the nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Gain on sale of property and equipment	31,413	16,168	14,901	3,804
Total	31,413	16,168	14,901	3,804

NOTE 19 – FINANCE INCOME AND EXPENSES

The breakdown of finance expenses for the nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Interest expense on borrowings	378,803	263,663	150,975	69,880
Commission expenses on letters of guarantee	47,694	45,044	14,780	13,895
Interest expense on lease liabilities (Note 7)	19,869	21,448	7,073	10,720
Foreign exchange losses on borrowings net	-	13,896	-	-
Other	16,825	12,083	6,534	5,088
Total	463,191	356,134	179,362	99,583

The breakdown of finance income for the nine and three month periods ended 30 September is presented below:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Interest income	45,499	41,872	20,032	10,947
Total	45,499	41,872	20,032	10,947

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 25% for 30 September 2021 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 30 September 2021, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2020: 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 nine and three month periods ended 30 September, taxation charge comprise of the following:

	<u>1 January - 30 September 2021</u>	<u>1 January - 30 September 2020</u>	<u>1 July - 30 September 2021</u>	<u>1 July - 30 September 2020</u>
Deferred tax income/(expense)	35,401	13,313	25,737	34,491
Current tax income/(expense)	(372,917)	(187,798)	(115,638)	(161,725)
Total tax expense	(337,516)	(174,485)	(89,901)	(127,234)

For the period ended 30 September, 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>1 January - 30 September 2021</u>	<u>1 January - 30 September 2020</u>
Profit before tax	1,597,670	919,292
Income tax using the Company's domestic tax rate	(399,418)	(202,244)
Disallowable expenses	(6,358)	(5,861)
Share of profit in equity accounted investees exempt from deferred tax calculation	64,013	38,622
Other	4,247	(5,002)
Total tax expense	(337,516)	(174,485)
	<u>1 July - 30 September 2021</u>	<u>1 July - 30 September 2020</u>
Profit before tax	461,212	641,638
Income tax using the Company's domestic tax rate	(115,303)	(141,160)
Disallowable expenses	(2,053)	(1,392)
Share of profit in equity accounted investees exempt from deferred tax calculation	19,693	19,605
Other	7,762	(4,287)
Total tax expense	(89,901)	(127,234)

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 30 September 2021 and 31 December 2020, 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)	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Fair value change of available-for sale financial assets	-	-	(21,572)	(21,572)	(21,572)	(21,572)
Land	-	-	(1,393)	(1,393)	(1,393)	(1,393)
Other tangible and intangible assets	-	-	(10,494)	(10,041)	(10,494)	(10,041)
Warranty provision, net	13,903	9,733	-	-	13,903	9,733
Legal provision	8,379	6,497	-	-	8,379	6,497
Provision for diminution in value of inventories	2,631	1,326	-	-	2,631	1,326
Employee termination benefit	9,598	7,976	-	-	9,598	7,976
Unused vacation liability	3,996	3,263	-	-	3,996	3,263
Dealer premium accrual	28,097	-	-	-	28,097	-
Other	1,495	2,579	-	-	1,495	2,579
Total deferred tax asset/(liabilities)	68,099	31,374	(33,459)	(33,006)	34,640	(1,632)
Net off tax	(33,459)	(25,859)	33,459	25,859	-	-
Total deferred tax assets/(liabilities)	34,640	5,515	-	(7,147)	34,640	(1,632)

The movements in temporary differences as at 30 September 2021 are as follows:

	1 January 2021	Recognized in the profit or loss	Recognized in other comprehensive income	30 September 2021
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)	(453)	-	(10,494)
Warranty provision, net	9,733	4,170	-	13,903
Legal provision	6,497	1,882	-	8,379
Provision for diminution in value of inventories	1,326	1,305	-	2,631
Employee termination benefit	7,976	751	871	9,598
Unused vacation liability	3,263	733	-	3,996
Dealer premium accrual	-	28,097	-	28,097
Other	2,579	(1,084)	-	1,495
	(1,632)	35,401	871	34,640

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NOTE 20 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 30 September 2020 are as follows:

	<u>1 January 2020</u>	<u>Recognized in the profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>30 September 2020</u>
Fair value change of available for sale financial assets	(23,725)	-	-	(23,725)
Land	(1,393)	-	-	(1,393)
Other tangible and intangible assets	(5,570)	(2,151)	-	(7,721)
Warranty provision, net	7,790	1,767	-	9,557
Legal provision	6,824	95	-	6,919
Provision for diminution in value of inventories	1,415	1,011	-	2,426
Employee termination benefit	8,099	1,066	434	9,599
Unused vacation liability	2,962	446	-	3,408
Dealer premium accrual	-	38,348	-	38,348
Carry forward tax losses	29,841	(29,841)	-	-
Other	155	2,572	-	2,727
	<u>26,398</u>	<u>13,313</u>	<u>434</u>	<u>40,145</u>

As at 30 September 2021, current income tax liabilities amounting to TL 110,119 (31 December 2020: TL 28,086) is comprised by tax provision for the year ended 30 September 2021.

As at 30 September 2021, the current income tax asset of the group is none.

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 30 September, earnings per share are calculated as follows:

	<u>1 January - 30 September 2021</u>	<u>1 January - 30 September 2020</u>	<u>1 July - 30 September 2021</u>	<u>1 July - 30 September 2020</u>
Net profit attributable to the equity holders of the Company	1,255,894	741,178	369,959	511,775
Number of basic shares	198,000,000	198,000,000	198,000,000	198,000,000
Basic / diluted earnings per share (in full TL)	6.3429	3.7433	1.8685	2.5847

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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>30 September 2021</u>	<u>31 December 2020</u>
Yüce Auto	2,361	4,696
VDF	-	1,147
Total	2,361	5,843

22.1.2 Due from joint ventures

	<u>30 September 2021</u>	<u>31 December 2020</u>
TÜVTURK	15	66
Total	15	66

22.1.3 Due from other related parties

	<u>30 September 2021</u>	<u>31 December 2020</u>
VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring")	732,251	553,977
VDF Filo Kiralama A.Ş.	1,368	728
VDF Sigorta Aracılık Hizmetleri A.Ş.	1,163	1,168
Other	426	74
Total	735,208	555,947

22.1.4 Due from shareholders

	<u>30 September 2021</u>	<u>31 December 2020</u>
Doğuş Holding	189	1
Total	189	1
Grand total	737,773	561,857

As of 30 September 2021, the Group imposes 1% interest charge on the receivables from related parties (31 December 2020: 1% per month).

22.2 Other receivables due from related parties

22.2.1 Other current receivables due from associates

	<u>30 September 2021</u>	<u>31 December 2020</u>
Doğuş Teknoloji	4,437	3,792
Total	4,437	3,792

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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

	30 September 2021	31 December 2020
VDF Filo Kiralama A.Ş. (sublease receivables)	3,422	2,672
Total	3,422	2,672
Grand total	7,859	6,464

22.2.3 Other non-current receivables due from related parties

	30 September 2021	31 December 2020
VDF Filo Kiralama A.Ş. (sublease receivables)	1,407	1,066
Total	1,407	1,066

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

	30 September 2021	31 December 2020
Doğuş Teknoloji	429	228
Total	429	228

22.3.1.2 Current prepaid expenses to other related parties

	30 September 2021	31 December 2020
Pozitif Arena Salon İşletmeleri A.Ş.	1,328	7,271
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	436	1,023
Other	343	142
Total	2,107	8,436

22.3.1.3 Current prepaid expenses to shareholders

	30 September 2021	31 December 2020
Doğuş Holding	3	287
Total	3	287
Grand total	2,539	8,951

22.3.2 Non- Current prepaid expenses to related parties

22.3.2.1 Non-current prepaid expenses

	30 September 2021	31 December 2020
Pozitif Arena Salon İşletmeleri A.Ş.	3,052	3,052
Other	834	-
Total	3,886	3,052

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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>30 September 2021</u>	<u>31 December 2020</u>
Doğuş Yayın Grubu A.Ş.	869	-
Total	869	-

22.4 Deferred income from related parties

22.4.1 Deferred income from joint ventures

	<u>30 September 2021</u>	<u>31 December 2020</u>
TÜVTURK	-	397
Total	-	397
Grand total	-	397

22.5 Trade payables due to related parties

22.5.1 Trade payables due to associates

	<u>30 September 2021</u>	<u>31 December 2020</u>
Yüce Auto	27,682	65,227
Doğuş Teknoloji	10,618	19,138
VDF	6,423	25,238
Total	44,723	109,603

22.5.2 Trade payables due to joint ventures

	<u>30 September 2021</u>	<u>31 December 2020</u>
TÜVTURK	10	-
Total	10	-

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

22.5.3 Trade payables due to other related parties

	<u>30 September 2021</u>	<u>31 December 2020</u>
VDF Filo Kiralama A.Ş.	1,328	36
Antur Turizm A.Ş.	819	1,350
VDF Faktoring A.Ş.	315	7,001
Doğuş Yayın Grubu A.Ş.	22	279
Nahita Restaurant İşletmeciliği ve Yatırım A.Ş.	-	1,230
Pozitif Arena Konser Salon İşletmeleri A.Ş.	-	9,378
Other	571	2,195
Total	3,055	21,469

22.5.4 Trade payables due to shareholders

	<u>30 September 2021</u>	<u>31 December 2020</u>
Doğuş Holding	1,821	698
Total	1,821	698
Grand total	49,609	131,770

22.6 Other payables due to related parties

22.6.1 Other payables due to shareholders

	<u>30 September 2021</u>	<u>31 December 2020</u>
Doğuş Holding	-	101,594
Total	-	101,594

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

22.7 Related Party Transactions

Related party transactions for the nine and three month periods ended 30 September are as follows:

22.7.1 Associates

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Sales and other income generating transactions:				
Sale of products and returns, net	18,222	13,807	1,924	5,959
Other income	38,436	23,398	10,445	11,853
Sale of services, net	392	291	125	108
Financial income	547	-	225	-
Total	57,597	37,496	12,719	17,920
Purchases and expense incurring transactions:				
Inventory purchases	700,749	568,829	128,729	236,202
Incentives for consumer loans	53,056	8,421	24,318	5,224
Fixed asset purchases	52,591	23,977	18,896	9,214
Other purchases	58,797	33,734	26,435	14,617
Services rendered	19,147	15,108	6,543	5,257
Other expenses	557	213	332	127
Financial expenses	113	-	113	-
Total	885,010	650,282	205,366	270,641

22.7.2 Joint ventures

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Sales and other income generating transactions:				
Sale of products and returns, net	2,775	162	55	95
Sale of services, net	72	64	13	34
Other incomes	4	-	-	-
Total	2,851	226	68	129
Purchases and expense incurring transactions:				
Services rendered	84	31	13	13
Other purchases	-	1	-	-
Total	84	32	13	13

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

22.7 Related Party Transactions (Continued)

22.7.3 Other related parties

a) Income generated from other related parties

1 January – 30 September 2021						
	Sale of products	Sale of services	Sale of fixed assets	Other income from operating activities	Financial income	Total
VDF Filo	303,885	4,002	-	674	-	308,561
VDF Sigorta	3	3	-	7,838	-	7,844
VDF Faktoring	-	-	-	-	-	-
Other	3,898	131	121	1,304	238	5,692
	307,786	4,136	121	9,816	238	322,097

1 January – 30 September 2020						
	Sale of products	Sale of services	Sale of fixed assets	Other income from operating activities	Financial income	Total
VDF Filo	218,876	2,559	-	392	-	221,827
VDF Sigorta	8	1	-	4,943	-	4,952
VDF Faktoring	1	-	-	-	-	1
Other	234	39	-	832	-	1,105
	219,119	2,599	-	6,167	-	227,885

1 July - 30 September 2021						
	Sale of products	Sale of services	Sale of fixed assets	Other income from operating activities	Financial income	Total
VDF Filo	122,459	1,499	-	337	-	124,295
VDF Sigorta	-	-	-	2,675	-	2,675
VDF Faktoring	-	-	-	-	-	-
Other	321	66	22	1,177	-	1,586
	122,780	1,565	22	4,189	-	128,556

1 July - 30 September 2020						
	Sale of products	Sale of services	Sale of fixed assets	Other income from operating activities	Financial income	Total
VDF Filo	122,637	1,054	-	155	-	123,846
VDF Sigorta	2	-	-	2,323	-	2,325
VDF Faktoring	-	-	-	-	-	-
Other	168	19	-	759	-	946
	122,807	1,073	-	3,237	-	127,117

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

22.7 Related Party Transactions (Continued)

22.7.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties

1 January – 30 September 2021							
	Services Rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	3,323	-	-	-	-	326	3,649
Doğuş Gayrimenkul							
Yatırım Ortaklığı	24,693	-	-	-	-	-	24,693
VDF Sigorta	33	-	-	-	-	4	37
VDF Filo	11,046	3,750	36,031	-	-	-	50,827
VDF Faktoring	-	-	-	45,703	-	-	45,703
Other	5,799	-	874	-	131	9,010	15,814
	44,894	3,750	36,905	45,703	131	9,340	140,723

1 January – 30 September 2020							
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	3,134	-	-	-	153	722	4,009
Doğuş Gayrimenkul							
Yatırım Ortaklığı	3,895	-	-	-	-	13,585	17,480
VDF Sigorta	5	-	238	-	7	1	251
VDF Filo	8,602	-	40,355	-	5	-	48,962
VDF Faktoring	-	-	113	3,188	-	34	3,335
Other	2,723	-	16	-	-	6,455	9,194
	18,359	-	40,722	3,188	165	20,797	83,231

1 July - 30 September 2021							
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	1,425	-	-	-	-	-	1,425
Doğuş Gayrimenkul							
Yatırım Ortaklığı	8,547	-	-	-	-	-	8,547
VDF Sigorta	9	-	-	-	-	-	9
VDF Filo	3,955	-	29,184	-	-	-	33,139
VDF Faktoring	-	-	-	10,202	-	-	10,202
Other	1,090	-	43	-	131	3,123	4,387
	15,026	-	29,227	10,202	131	3,123	57,709

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

22.7 Related Party Transactions (Continued)

22.7.3 Other related parties (Continued)

1 July - 30 September 2020						
Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	94	-	-	70	60	224
Doğuş Gayrimenkul Yatırım Ortaklığı	1,537	-	-	-	4,561	6,098
VDF Sigorta	2	-	-	6	-	8
VDF Filo	3,041	-	14,482	4	-	17,527
VDF Faktoring	-	-	-	1,232	-	1,232
Other	816	-	16	-	2,779	3,611
	<u>5,490</u>	<u>-</u>	<u>14,498</u>	<u>1,232</u>	<u>80</u>	<u>28,700</u>

22.7.4 Transactions with shareholders

a) Income generated from shareholders

1 January – 30 September 2021				
	Sale of products	Sale of services	Income from investing activities	Total
Doğuş Holding	28	777	-	805
	<u>28</u>	<u>777</u>	<u>-</u>	<u>805</u>

1 January – 30 September 2020				
	Sale of products	Sale of services	Income from investing activities	Total
Doğuş Holding	9	3	-	12
	<u>9</u>	<u>3</u>	<u>-</u>	<u>12</u>

1 July - 30 September 2021				
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	17	484	-	501
	<u>17</u>	<u>484</u>	<u>-</u>	<u>501</u>

1 July - 30 September 2020				
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	4	1	-	5
	<u>4</u>	<u>1</u>	<u>-</u>	<u>5</u>

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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

	1 January – 30 September 2021				
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	7,248	237	-	284	7,769
	7,248	237	-	284	7,769
	1 January – 30 September 2020				
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	10,483	-	96	-	10,579
	10,483	-	96	-	10,579
	1 July - 30 September 2021				
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	2,925	237	-	96	3,258
	2,925	237	-	96	3,258
	1 July - 30 September 2020				
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	1,980	-	96	-	2,076
	1,980	-	96	-	2,076

22.8 Key Management Personnel Compensation

	1 January – 30 September 2021	1 January – 30 September 2020	1 July– 30 September 2021	1 July – 30 September 2020
Salaries and other short-term employee benefits	21,773	17,912	7,608	6,749
Total	21,773	17,912	7,608	6,749

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 30 September 2021 and 2020 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 30 September 2021 and 31 December 2020:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Total financial liabilities	2,999,742	2,386,916
Cash and cash equivalents	(2,018,028)	(655,599)
Total financial liabilities, net	981,714	1,731,317
Total equity	3,016,190	2,295,734
Financial liabilities / equity ratio	0.33	0.75

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

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

(a) Credit risk

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

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

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).

30 September 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) (*)	737,773	200,714	9,266	106,150	2,017,736	-	-
- Guaranteed portion of the maximum exposure	-	78,690	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	734,924	181,221	9,266	106,150	2,017,736	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	2,849	19,493	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	5,628	-	-	-	-	-
- Impairment (-)	-	(5,628)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	78,690	-	-	-	-	-
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 30 September 2021 and 31 December 2020, 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 30 September 2021 and 31 December 2020, 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 30 September 2021 and 31 December 2020, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 2020	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) (*)	561,857	485,292	7,530	106,257	655,368	-	-
- Guaranteed portion of the maximum exposure	-	101,422	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	561,752	420,604	7,530	106,257	655,368	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	105	64,688	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	5,664	-	-	-	-	-
- Impairment (-)	-	(5,664)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	101,422	-	-	-	-	-
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 30 September 2021 and 31 December 2020, 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 30 September 2021 and 31 December 2020, 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 30 September 2021 and 31 December 2020, 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 30 September 2021 and 31 December 2020, the aging of past due receivables that are not impaired are as follows:

30 September 2021	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	22,342	-	-	-	-
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.	2,195	-	-	-	-

31 December 2020	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	64,793	-	-	-	-
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.	14,139	-	-	-	-

(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 30 September 2021, the Group have lines of credit amounting to EUR 1,034,686, USD 307,000, CHF 5,000 and TL 4,032,500 (31 December 2020: lines of credit amounting to EUR 784,000, USD 300,000, CHF 5,000 and TL 3,662,500). 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 249,735 equivalent to TL 2,575,642 (31 December 2020: EUR 243,035 equivalent to TL 2,189,235) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in a year. The Group's credit card purchase limit amounting to EUR 71,791, amounting to TL 740,418 are utilized (31 December 2020: EUR 156,043 amounting to TL 1,405,624 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 30 September 2021 and 31 December 2020:

Contractual maturities	30 September 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	2,855,960	3,163,936	186,760	2,977,176	-	-
Trade payables to related parties	49,609	49,609	49,609	-	-	-
Other payables to related parties	-	-	-	-	-	-
Trade payables to third parties	930,108	930,108	271,603	658,505	-	-
Employee benefit obligations	14,619	14,619	14,619	-	-	-
Lease liabilities	143,782	211,512	20,422	51,601	120,879	18,610
Other current liabilities (*)	1,224	1,224	1,224	-	-	-
Total non-derivative financial liabilities	3,995,302	4,371,008	544,237	3,687,282	120,879	18,610
	31 December 2020					
Contractual maturities	Carrying amount	Total contractual cash outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	2,277,941	2,376,662	1,240,811	945,645	190,206	-
Trade payables to related parties	131,770	131,770	131,770	-	-	-
Other payables to related parties	101,594	101,594	101,594	-	-	-
Trade payables to third parties	1,722,060	1,722,060	379,892	1,342,168	-	-
Employee benefit obligations	100,027	100,027	100,027	-	-	-
Lease liabilities	108,975	173,043	15,742	40,984	88,220	28,097
Other current liabilities (*)	1,731	1,731	1,731	-	-	-
Total non-derivative financial liabilities	4,444,098	4,606,887	1,971,567	2,328,797	278,426	28,097

(*) 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		
30 September 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	(63)	63
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(63)	63
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	152,270	(152,270)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	152,270	(152,270)
TOTAL (3+6)	152,207	(152,207)

Currency sensitivity analysis		
31 December 2020		
	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	(703)	703
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(703)	703
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	38,593	(38,593)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	38,593	(38,593)
TOTAL (3+6)	37,890	(37,890)

Currency sensitivity analysis		
30 September 2020		
	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	(63)	63
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(63)	63
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	28,516	(28,516)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	28,516	(28,516)
TOTAL (3+6)	28,453	(28,453)

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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 30 September 2021, 31 December 2020 and 30 September 2020 are as follows:

	30 September 2021	31 December 2020	30 September 2020
USD	8.8433	7.3405	7.8080
EUR	10.3135	9.0079	9.1281
CHF	9.4945	8.2841	8.4413

As at 30 September 2021, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	30 September 2021				
	Total TL equivalent	Original balances			
	USD	EUR	CHF	Other	
Assets:					
Trade receivables	-	-	-	-	-
Monetary financial assets	1,455,077	6	141,075	3	18
Other monetary assets	810,156	-	78,553	-	-
Total assets	2,265,233	6	219,628	3	18
Trade payables	742,314	77	71,909	-	-
Financial liabilities	815	-	79	-	-
Other monetary liabilities	18	2	-	-	-
Current liabilities	743,147	79	71,988	-	-
Financial liabilities	-	-	-	-	-
Non-current liabilities	-	-	-	-	-
Total liabilities	743,147	79	71,988	-	-
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	1,522,086	(73)	147,640	3	18
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	34,273	357	3,017	-	-
Sureties and letters of guarantee given	2,675,198	-	259,388	-	-
Import	15,291,723	-	1,482,690	-	-

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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 2020, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2020				
	Total TL equivalent	Original balances			
		USD	EUR	CHF	Other
Assets:					
Trade receivables	171	-	19	-	-
Monetary financial assets	272,059	88	30,126	3	18
Other monetary assets	1,535,124	93	170,344	-	-
Total assets	1,807,354	181	200,489	3	18
Trade payables	1,422,490	1,055	157,055	-	1
Financial liabilities	2,747	-	305	-	-
Other monetary liabilities	2,646	12	284	-	-
Current liabilities	1,427,883	1,067	157,644	-	1
Financial liabilities	2,035	-	306	-	-
Non-current liabilities	2,035	-	306	-	-
Total liabilities	1,429,918	1,067	157,950	-	1
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	377,436	(886)	42,539	3	17
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	33,195	372	3,382	-	-
Sureties and letters of guarantee given	2,276,188	-	252,688	-	-
Import	17,142,407	-	1,903,041	-	-

As at 30 September 2021, goods-in-transit of the Group amount to EUR 71,531 equivalent to TL 737,730 (31 December 2020: EUR 162,256 equivalent to TL 1,461,583).

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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 Doğuş Holding.

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

Under the assumption of 10% increase/decrease in share prices as at 30 September 2021, all other variables held constant, the Group's equity would have been increased/decreased by TL 5,657 (31 December 2020: TL 21,645).

(e) Interest rate risk

As of 30 September 2021 and 31 December 2020, 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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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 DoĐuŐ Holding is not a publicly traded, fair value of DoĐuŐ Holding is determined by using current market information's for publicly traded companies under DoĐuŐ Holding governance. Fair value of DoĐuŐ Holding is also determined by using other valuation methods for non-public companies under DoĐuŐ Holding governance. Therefore DoĐuŐ 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 30 September 2021 and 31 December 2020, net carrying amounts and fair values of assets and liabilities as shown below:

<u>30 September 2021</u>	<u>Financial assets at amortised cost</u>	<u>Financial assets measured at fair value through other comprehensive income</u>	<u>Financial liabilities at amortised cost</u>	<u>Net carrying amount</u>	<u>Note</u>
<u>Financial assets</u>					
Cash and cash equivalents	2,018,028	-	-	2,018,028	5
Financial investments	-	561,545	-	561,545	6
Trade receivables from third parties	200,714	-	-	200,714	-
Other receivables from third parties	106,150	-	-	106,150	-
Trade receivables from related parties	737,773	-	-	737,773	22.1
Other receivables from related parties	9,266	-	-	9,266	22.2
<u>Financial liabilities</u>					
Trade payables to third parties	-	-	930,108	930,108	8.2
Trade payables to related parties	-	-	49,609	49,609	22.5
Other payables to related parties	-	-	-	-	-
Borrowings	-	-	2,855,960	2,855,960	7
Lease liabilities	-	-	143,782	143,782	7

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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 2020	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	655,599	-	-	655,599	5
Financial investments	-	561,545	-	561,545	6
Trade receivables from third parties	485,292	-	-	485,292	-
Other receivables from third parties	106,257	-	-	106,257	-
Trade receivables from related parties	561,857	-	-	561,857	22.1
Other receivables from related parties	7,530	-	-	7,530	22.2
<u>Financial liabilities</u>					
Trade payables to third parties	-	-	1,722,060	1,722,060	8.2
Trade payables to related parties	-	-	131,770	131,770	22.5
Other payables to related parties	-	-	101,594	101,594	-
Borrowings	-	-	2,277,941	2,277,941	7
Lease liabilities	-	-	108,975	108,975	7

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market. (unobservable inputs).

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

	30 September 2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income (Note 6)	-	561,545	-	561,545
Total financial assets	-	561,545	-	561,545
31 December 2020				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income (Note 6)	-	561,545	-	561,545
Total financial assets	-	561,545	-	561,545

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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NOTE 24 – RIGHT OF USE ASSET

As of 30 September 2021, the net book value of the right of use assets is TL 109,497 (30 September 2020: TL 83,023). As of 30 September 2021 and 2020, the balances of the right to use assets and the depreciation and amortization expenses during the period are as follows:

30 September 2021	Showroom and area leases	Motor vehicles	Other	Total
Right of use asset - 1 January 2021	71,653	4,202	-	75,855
Additions	43,000	25,618	-	68,618
Disposals	(1,862)	(627)	-	(2,489)
Depreciation expenses	(25,438)	(7,049)	-	(32,487)
Right of use asset - 30 September 2021	87,353	22,144	-	109,497

30 September 2020	Showroom and area leases	Motor vehicles	Other	Total
Right of use asset - 1 January 2020	100,628	8,568	1,809	111,005
Additions	1,567	1,535	-	3,102
Disposals	(4,062)	(740)	-	(4,802)
Depreciation expenses	(20,721)	(4,204)	(1,357)	(26,282)
Right of use asset - 30 September 2020	77,412	5,159	452	83,023

As of 30 September 2021, TL 32,487 depreciation expense arising from the usage rights is accounted under general administrative expenses (30 September 2020: TL 26,282).

NOTE 25 – SUBSEQUENT EVENTS

None.

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