DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018 WITH INDEPENDENT AUDITOR'S REVIEW THEREON
(Originally issued in Turkish)

9 May 2018

This report is consisted of 1 pages of independent auditor's review report and
63 pages condensed consolidated interim financial statements with accompanying notes.

Building a better
working world

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Convenience Translation of the Independent Auditor's Review Report Originally Prepared and Issued in Turkish

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Doğuş Otomotiv Servis ve Ticaret A.Ş. and its subsidiaries (the "Group") as at 31 March 2018, the condensed consolidated statements of profit or loss, condensed consolidated other comprehensive income, condensed consolidated changes in equity and condensed consolidated cash flows for the three month period then ended and notes to the interim financial information ("the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim 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 the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of Ernst Young Global Limited

Ferzan Ülgen, SMMM
Partner

9 May 2018
İstanbul, Türkiye

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018 AND 31 DECEMBER 2017

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

		Reviewed	Audited
	Notes	**31 March 2018**	**31 December 2017**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	92,005	156,266
Trade receivables		940,728	1,375,334
Trade receivables due from related parties	23.1	733,103	1,111,575
Trade receivables due from third parties	8.1	207,625	263,759
Other receivables		119,564	189,901
Other receivables due from third parties	9	119,564	189,901
Inventories	10	1,983,427	1,425,344
Prepayments	15.1	43,118	28,548
Current income tax assets		-	445
Other current assets	15.4	13,019	18,429
Total current assets		**3,191,861**	**3,194,267**
NON-CURRENT ASSETS			
Financial investments		577,747	579,277
Available-for-sale financial assets	6	577,747	579,277
Other receivables		536	524
Other receivables due from third parties		536	524
Investments accounted for using equity method	11	381,554	352,323
Investment property	13	21,163	21,266
Property, plant and equipment	12	980,293	975,348
Intangible assets		33,554	31,731
Prepayments	15.2	6,626	10,608
Deferred tax asset	21	10,817	1,538
Total non-current assets		**2,012,290**	**1,972,615**
TOTAL ASSETS		**5,204,151**	**5,166,882**

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 FINANCIAL POSITION AS AT 31 MARCH 2018 AND 31 DECEMBER 2017

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

		Reviewed	Audited
LIABILITIES	**Notes**	**31 March 2018**	**31 December 2017**
CURRENT LIABILITIES			
Current borrowings	7	2,386,189	2,959,896
Current portion of non-current borrowings	7	2,156	3,836
Trade payables		1,175,188	633,545
Trade payables to related parties	23.4	44,752	44,618
Trade payables to third parties	8.2	1,130,436	588,927
Employee benefit obligations		14,414	24,602
Other payables		143,000	-
Other payables to related parties	23.5	143,000	-
Deferred income	15.3	35,908	32,644
Current tax liabilities	21	24,865	5,827
Current provisions		65,007	68,597
Other current provisions	14	65,007	68,597
Other current liabilities	16	43,057	63,115
Total current liabilities		**3,889,784**	**3,792,062**
NON-CURRENT LIABILITIES			
Long-term borrowings	7	11,900	11,106
Deferred income		1,946	1,178
Non-current provisions		35,591	35,091
Non-current provisions for employee benefits		35,591	35,091
Total non-current liabilities		**49,437**	**47,375**
TOTAL LIABILITIES		**3,939,221**	**3,839,437**
EQUITY			
Equity attributable to equity holders of the Company		**1,259,808**	**1,322,336**
Issued capital	17	220,000	220,000
Inflation adjustment on capital	17	23,115	23,115
Treasury shares (-)	17	(220,291)	(220,288)
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		*(18,784)*	*(18,014)*
Gains (losses) on revaluation and remeasurement		(18,784)	(18,014)
Gains (losses) on remeasurements of defined benefit plans		(18,784)	(18,014)
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		*510,847*	*510,877*
Currency translation differences	17	*13,596*	*12,085*
Gains (losses) on revaluation and reclassification		497,251	498,792
Gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets	17	497,251	498,792
Restricted reserves appropriated from profits	17	460,405	446,297
Legal reserves		170,419	156,314
Treasury share reserves		220,291	220,288
Other restricted profit reserves		69,695	69,695
Retained earnings / (Accumulated losses)	17	203,241	177,117
Profit (loss) for the period		81,275	183,232
Non-controlling interests	17	**5,122**	**5,109**
TOTAL EQUITY		**1,264,930**	**1,327,445**
TOTAL EQUITY AND LIABILITIES		**5,204,151**	**5,166,882**

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

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

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

	Notes	Reviewed 31 March 2018	Reviewed 31 March 2017
Revenue		2,719,275	2,084,885
Cost of sales		(2,395,051)	(1,852,285)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**324,224**	**232,600**
GROSS PROFIT (LOSS)		**324,224**	**232,600**
General administrative expenses	18	(95,600)	(98,865)
Marketing expenses	18	(93,308)	(74,875)
Other income from operating activities		38,420	38,472
Other expenses from operating activities		(16,725)	(13,115)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**157,011**	**84,217**
Investment activity income	19	7,253	5,504
Share of profit (loss) from investments accounted for using equity method	11	29,318	20,313
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**193,582**	**110,034**
Finance costs	20	(95,394)	(79,827)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**98,188**	**30,207**
Tax (expense) income, continuing operations		**(16,900)**	**(2,289)**
Current period tax (expense) income	21	(25,910)	(9,694)
Deferred tax (expense) income	21	9,010	7,405
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**81,288**	**27,918**
PROFIT (LOSS)		**81,288**	**27,918**
Profit (loss), attributable to			
Non-controlling interests		**13**	**(370)**
Owners of parent		**81,275**	**28,288**
Basic earnings per share			
Basic earnings(loss) per share from continuing operations	22	**0.4105**	**0.1321**
Diluted earnings per share			
Diluted earnings(loss) per share from continuing operations	22	**0.4105**	**0.1321**

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

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

	Notes	Reviewed 31 March 2018	Reviewed 31 March 2017
PROFIT (LOSS)		**81,288**	**27,918**
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss		**(770)**	**(6,090)**
Gains (losses) on remeasurements of defined benefit plans		(963)	(7,613)
Other comprehensive income that will not be reclassified to profit or loss, tax effect		*193*	*1,523*
Gains (losses) on remeasurements of defined benefit plans, tax effect	21	193	1,523
Other comprehensive income that will be reclassified to profit or loss		**(30)**	**(685)**
Foreign currency translation differences		1,511	883
Gains (losses) on remeasuring and/or reclassification of available-for-sale-financial assets		*(1,530)*	*(1,557)*
Gains (losses) on remeasuring available-for-sale-financial assets	6	(1,530)	(1,557)
Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss	11	(87)	(89)
Other comprehensive income that will be reclassified to profit or loss, tax effect		*76*	*78*
Gains (losses) on remeasuring or reclassification on available-for-sale-financial assets, tax effect	21	76	78
OTHER COMPREHENSIVE INCOME (LOSS)		**(800)**	**(6,775)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**80,488**	**21,143**
Total comprehensive income attributable to			
Non-controlling interests		13	(370)
Owners of parent		80,475	21,513

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 THREE MONTH PERIODS ENDED 31 MARCH

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

				Accumulated other comprehensive income and expense that will not be reclassified through profit or loss	Accumulated other comprehensive income and expense that will be reclassified through profit or loss			Accumulated earnings				
	Issued capital (Note 17)	Inflation adjustments on capital (Note 17)	Treasury Shares (Note 17)	Gains / losses on remeasurements of defined benefit plans	Foreign currency translation difference (Note 17)	Gains/ Losses on remeasuring of available-for-sale financial assets (Note 17)	Restricted Reserve (Note 17)	Retained earnings/ (Accumulated losses)	Net profit/ loss for the period	Equity attributable to equity holders of the Company	Non-controlling interests (Note 17)	Total Equity
Balance at 1 January 2017	**220,000**	**23,115**	**(220,274)**	**(7,636)**	**5,808**	**469,664**	**446,283**	**(60,557)**	**237,688**	**1,114,091**	**4,622**	**1,118,713**
Transfers	-	-	-	-	-	-	-	237,688	**(237,688)**	-	-	-
Total comprehensive income (loss)	**-**	**-**	**-**	**(6,090)**	**883**	**(1,568)**	**-**	**-**	**28,288**	**21,513**	**(370)**	**21,143**
Profit (loss) for the period	-	-	-	-	-	-	-	-	28,288	28,288	(370)	27,918
Other comprehensive income (loss)	-	-	-	(6,090)	883	(1,568)	-	-	-	(6,775)	-	(6,775)
Balance at 31 March 2017	**220,000**	**23,115**	**(220,274)**	**(13,726)**	**6,691**	**468,096**	**446,283**	**177,131**	**28,288**	**1,135,604**	**4,252**	**1,139,856**
Balance at 1 January 2018	**220,000**	**23,115**	**(220,288)**	**(18,014)**	**12,085**	**498,792**	**446,297**	**177,117**	**183,232**	**1,322,336**	**5,109**	**1,327,445**
Transfers	-	-	-	-	-	-	**14,105**	**169,127**	**(183,232)**	-	-	-
Total comprehensive income (loss)	-	-	-	**(770)**	**1,511**	**(1,541)**	**-**	**-**	**81,275**	**80,475**	**13**	**80,488**
Profit (loss) for the period	-	-	-	-	-	-	-	-	81,275	81,275	13	81,288
Other comprehensive income (loss)	-	-	-	(770)	1,511	(1,541)	-	-	-	(800)	-	(800)
Dividends paid	-	-	-	-	-	-	-	(143,000)	-	(143,000)	-	(143,000)
Increase (decrease) through treasury shares transactions	-	-	(3)	-	-	-	3	(3)	-	(3)	-	(3)
Balance at 31 March 2018	**220,000**	**23,115**	**(220,291)**	**(18,784)**	**13,596**	**497,251**	**460,405**	**203,241**	**81,275**	**1,259,808**	**5,122**	**1,264,930**

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

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

	Notes	Reviewed 31 March 2018	Reviewed 31 March 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES:		**619,617**	**558,452**
Profit (loss) for the year		81,288	27,918
Adjustments to for profit (loss) for the period reconciliation:		**153,591**	**124,234**
Adjustments for depreciation and amortization expense	18.2	21,013	20,824
Adjustments for (reversal of) impairment		*693*	*655*
Adjustments for (reversal of) impairment loss of receivables		(7)	194
Adjustments for (reversal of) impairment loss of inventories	10	700	461
Adjustments for provisions		*61,877*	*47,713*
Adjustments for provisions for employee benefits		2,354	1,676
Adjustments for (reversal of) lawsuit and/or penalty provision expenses		2,079	2,834
Adjustments for (reversal of) warranty provisions		21,654	10,742
Adjustments for (reversal of) other provisions		35,790	32,461
Adjustments for interest (income) and expense		*89,679*	*78,409*
Adjustments for interest income		-	(559)
Adjustments for interest expense		89,679	78,968
Adjustments for unrealized foreign exchange losses (gains)		-	161
Adjustments for undistributed profits of investments accounted for using equity method	11	(29,318)	(20,313)
Adjustments for tax (income) expenses	21	16,900	2,289
Adjustments for losses (gains) on disposal of non-current assets		*(7,253)*	*(5,504)*
Adjustments for losses (gains) on disposal of property, plant and equipment	19	(7,253)	(5.504)
Changes in working capital		**421,308**	**429,075**
Adjustments for decrease (increase) in trade receivables		*434,613*	*515,947*
Decrease (increase) in due from related parties		378,472	322,378
Decrease (increase) in due from third parties		56,141	193,569
Adjustments for decrease (increase) in inventories		(558,783)	(423,842)
Adjustments for increase (decrease) in trade payables		*506,544*	*320,460*
Increase (decrease) in due to related parties		134	(7,580)
Increase (decrease) in due to third parties		506,410	328,040
Increase (decrease) in deferred income		4,032	(2,783)
Adjustments for other increase (decrease) in working capital		34,902	19,293
Cash flows from operations		**656,187**	**581,227**
Interest received		-	559
Payments related with provisions for employee benefits		(2,817)	(1,394)
Payments related with other provisions		(27,326)	(18,907)
Income taxes refund (paid)		(6,427)	(3,033)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(14,302)**	**(191,572)**
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	11	-	(4,255)
Cash inflow by proceeds from sales of property, plant and equipment and intangible assets		*25,744*	*25,974*
Cash inflow by proceeds from sales of property, plant and equipment		25,744	25,974
Cash outflow by acquisition of property, plant and equipment and intangible assets		*(40,046)*	*(213,291)*
Cash outflow by acquisition of property, plant and equipment		(33,098)	(207,820)
Cash outflow by acquisition of intangible assets		(6,948)	(5,471)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(668,659)**	**(370,943)**
Proceeds from issuance of borrowings		681,716	822,251
Repayments of borrowings		(1,264,379)	(1,131,846)
Interest paid		(85,993)	(61,348)
Other cash inflows (outflows)		(3)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**(63,344)**	**(4,063)**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(917)**	**(336)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(64,261)**	**(4,399)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**156,266**	**89,098**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**92,005**	**84,699**

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

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

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

The Company's subsidiaries as at 31 March 2018 are as follows:

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

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

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

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

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

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

Sarıyer, İstanbul,Türkiye.

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

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

The average number of blue-collar employees of the Group for the period ended 31 March 2018 is 952 (31 December 2017: 930) whereas the average number of white-collar employees of the Group for the period ended 31 March 2018 is 1.899 (31 December 2017: 1,851).

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

2.1 Basis of presentation of the condensed consolidated interim financial statements

(i) Statement of Compliance to TAS

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

In accordance with the Communique, the companies are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34 "Interim Financial Reporting". In this respect, the Group has preferred to present its consolidated financial statements on a condensed level in accordance with the Communique.

(ii) Preparation and approval of financial statements

The condensed consolidated interim financial statements of the Group as at 31 March 2018 have been approved by the Board of Directors on 9 May 2018. 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" is no longer required for companies operating in Turkey and accordingly effective from 1 January 2005, TAS 29 has not been applied in preparing the Group's condensed consolidated interim 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 available-for-sale financial assets which are measured at fair value.

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

2.1 Basis of presentation of the condensed consolidated interim financial statements (continued)

(v) Functional and Presentation Currency

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

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

(vi) Significant accounting assessments, estimates and assumptions

In order to prepare financial statements in accordance with TFRS, certain assumptions affecting notes to the financial statements and critical accounting estimations related to assets, liabilities, contingent assets and contingent liabilities are required to be used. Although these estimations are made upon the best afford of the management by interpreting the cyclical circumstances, actual results may differ from the forecasts. Issues that are complex and needs further interpretation, which might have a critical impact on financial statements. There is no change in judgments and critical accounting estimates compared to prior year used in interim condensed consolidated financial statements as 31 March 2018.

2.2 Changes in TAS/TFRS

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the condensed consolidated interim financial statements as of March 31, 2018 are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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

TFRS 15 Revenue from Contracts with Customers

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

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

2.2 Changes in TAS/TFRS (continued)

TFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

The Group has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The impact of standard on all three aspects of TFRS 9 is as follows:

Classification and Measurement of Financial Assets:

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of TFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

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

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

2.2 Changes in TAS/TFRS (continued)

Hedge Accounting:

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

Impairment:

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

TFRS 4 Insurance Contracts (Amendments)

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

2.2 Changes in TAS/TFRS (continued)

TFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The standard is not applicable for the Group and have not had an impact on the financial position or performance of the Group.

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

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

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

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

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

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

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

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

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. The standard is not applicable for the Group and have not had an impact on the financial position or performance of the Group.

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

2.2 Changes in TAS/TFRS (Continued)

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

In April 2018, The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

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

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

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

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

2.2 Changes in TAS/TFRS (Continued)

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

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRIC 23 Uncertainty over Income Tax Treatments

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

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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

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

2.2 Changes in TAS/TFRS (Continued)

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

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

The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

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

2.2 Changes in TAS/TFRS (Continued)

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

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.3 Basis of Consolidation

(i) Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

2.3 Basis of Consolidation (Continued)

(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 condensed consolidated interim 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 acquiree either:

- At fair value; or

- At their proportionate share of the acquiree'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 an available-for-sale financial asset depending on the level of influence retained.

The table below sets out all the subsidiaries included in the scope of consolidation and shows the Group's share of control as at 31 March 2018 and 31 December 2017:

	31 March 2018	**31 December 2017**
Doğuş Oto Pazarlama	96.20%	96.20%
Doğuş Auto Swiss	99.95%	99.95%
D-Auto Limited Liability Company	100.00%	100.00%

(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:

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

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

2.3 Basis of Consolidation (Continued)

(iii) Joint Arrangements

● 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 condensed consolidated interim 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 31 March 2018 and 31 December 2017.

	31 March 2018	**31 December 2017**
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Kuzey")	33.33%	33.33%
TÜVTURK Güney Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Güney")	33.33%	33.33%
Meiller Doğuş Damper Sanayi ve Ticaret Ltd. Şti. ("Meiller-Doğuş") (*)	49.00%	49.00%

(*) It has been decided for cessation of activities and liquidation of the joint venture and the process of liquidation is ongoing.

(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 condensed consolidated interim financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

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

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

2.3 Basis of Consolidation (Continued)

(iii) Joint Arrangements

The table below sets out all the associates included in the scope of consolidation and shows the Group's share of control as at 31 March 2018 and 31 December 2017:

	31 March 2018	31 December 2017
Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto") (*)	50.00%	50.00%
Doğuş Sigorta Aracılık Hizmetleri A.Ş. ("Doğuş Sigorta")	42.00%	42.00%
Volkswagen Doğuş Finansman A.Ş. ("VDF")	48.00%	48.00%
VDF Servis ve Ticaret A.Ş. ("VDF Servis")	38.22%	38.22%
Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. ("Doğuş Teknoloji")	46.00%	46.00%

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

(v) Transactions Eliminated in Consolidation

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

2.4 Offsetting

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

2.5 Comparative Information

The Group has prepared the condensed consolidated interim statement of financial position as at 31 March 2018 comparatively with the consolidated statement of financial position as at 31 December 2017, and the condensed consolidated interim profit or loss statement, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statements of cash flows and changes in equity in the three month period ended 31 March 2018 comparative to the three month period ended 31 March 2017.

2.6 Significant Accounting Policies

The significant accounting policies have been applied consistently by the Group during the preparation of the condensed consolidated interim financial statements as at and for the three months period ended 31 March 2018 with those consolidated financial statements for the year ended 31 December 2017.

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

2.6 Significant Accounting Policies (Continued)

The condensed consolidated interim financial statements as at and for the three month period ended 31 March 2018 should be read together with the consolidated financial statements as at and for the year ended 31 December 2017.

2.7 Convenience translation into English of financial statements originally issued in Turkish

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the TAS/TFRS promulgated by POA. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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".

NOTE 4 – OPERATING SEGMENTS

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

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

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

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

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

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

NOTE 4 – OPERATING SEGMENTS (Continued)

Segment information presented to the Group management for the three month periods ended 31 March 2018 and 2017 are as follows:

For the three month period ended 31 March 2018	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	1,778,504	570,513	370,258	2,719,275
Cost of sales	(1,620,856)	(515,623)	(257,872)	(2,394,351)
Gross profit	**157,648**	**54,890**	**112,386**	**324,924**
General administration expenses	(34,155)	(6,253)	(52,257)	(92,665)
Marketing expenses	(53,769)	(17,259)	(29,579)	(100,607)
Other income from operating activities, net	12,600	2,615	6,480	21,695
Operating income	**82,324**	**33,993**	**37,030**	**153,347**

For the three month period ended 31 March 2017	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	1,429,773	374,926	280,186	2,084,885
Cost of sales	(1,320,724)	(339,003)	(192,098)	(1,851,825)
Gross profit	**109,049**	**35,923**	**88,088**	**233,060**
General administration expenses	(34,314)	(6,092)	(60,013)	(100,419)
Marketing expenses	(44,520)	(15,650)	(22,574)	(82,744)
Other income from operating activities, net	11,826	1,552	11,983	25,361
Operating income	**42,041**	**15,733**	**17,484**	**75,258**

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

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

	31 March 2018	31 March 2017
Operating profit for reportable segments	153,347	75,258
Provision for legal exposures	(1,684)	(2,537)
Provision for employee termination benefits	67	(1,211)
Provision for unused vacation	(122)	(76)
Provision for diminution in value of inventories	(700)	(461)
Warranty provision expense	5,274	7,869
Depreciation and amortization	829	1,648
Share of profit of equity accounted investees	29,318	20,313
Income from investment activities	7,253	5,504
Finance expense, net	(95,394)	(79,827)
Other	-	3,727
Profit before tax	**98,188**	**30,207**

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

NOTE 5 – CASH AND CASH EQUIVALENTS

As at 31 March 2018 and 31 December 2017, cash and cash equivalents comprise the following:

	31 March 2018	31 December 2017
Cash on hand	172	343
Cash at banks	91,833	155,923
- Demand deposits	45,238	90,042
- Time deposits	3,800	16,000
- Credit card receivables	42,795	49,881
Total	**92,005**	**156,266**

As at 31 March 2018, effective interest rate on TL denominated time deposits is 6% (31 December 2017: 6%) . As at 31 March 2018, maturity of time deposits is 3 days (31 December 2017: 4 days).

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

Foreign currency risk exposure of cash and cash equivalents are presented under Note 24.

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

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 March 2018 and 31 December 2017, available-for-sale financial assets comprise of the following:

	31 March 2018		31 December 2017	
	Ownership interest (%)	Carrying amount	Ownership interest (%)	Carrying amount
Doğuş Holding A.Ş. ("Doğuş Holding")	3.75	577,747	3.75	579,277
		577,747		**579,277**

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

	31 March 2018	31 March 2017
Balance at 1 January	579,277	550,350
Change in fair value of available-for-sale financial assets	(1,530)	(1,557)
Total	**577,747**	**548,793**

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

NOTE 7 – FINANCIAL LIABILITIES

As at 31 March 2018 and 31 December 2017, financial liabilities comprise the following:

	31 March 2018		31 December 2017	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Short-term bank borrowings:				
TL denominated interest bearing borrowings	13.25%-17.50%	2,314,629	13.25%-17.20%	2,841,390
TL denominated non-interest bearing borrowings (*)	-	45,193	-	70,436
CHF denominated borrowings	2.20%-2.60%	26,367	2.00%-2.60%	48,070
Short-term bank liabilities:		**2,386,189**		**2,959,896**
Short-term portion of long-term borrowings:				
CHF denominated borrowings	3.60%	442	3.60%	412
TL denominated borrowings	TRLIBOR+1.75%	1,714	TRLIBOR+1.75%	3,424
Short-term portion of long-term liabilities:		**2,156**		**3,836**

	31 March 2018		31 December 2017	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Long-term bank borrowings:				
CHF denominated borrowings	3.60%	11,900	3.60%	11,106
Total long-term financial liabilities		**11,900**		**11,106**

(*) As at 31 March 2018, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 45,193, which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2017: TL 70,436).

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

NOTE 7 – FINANCIAL LIABILITIES (Continued)

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

Payment period	**Original amount (TL)**	**Original amount (CHF)**	**TL equivalent**
2018	1,714	80	2,045
2019	-	105	434
2020	-	84	345
2021 and onwards	-	2,718	11,232
Total	**1,714**	**2,987**	**14,056**

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

Payment period	**Original amount (TL)**	**Original amount (CHF)**	**TL equivalent**
2018	3,424	107	3,836
2019	-	104	402
2020 and onwards	-	2,777	10,704
Total	**3,424**	**2,988**	**14,942**

Foreign currency, interest and liquidity risk exposure of financial liabilities are presented under Note 24.

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

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 authorized dealers and fleet customers. TL 93,043 of trade receivables due from third parties are covered via letters of guarantee (31 December 2017: TL 126,391).

As at 31 March 2018, overdue trade receivables due from third parties that are not impaired amount to TL 15,741 (31 December 2017: TL 11,873). TL 10,744 of such overdue receivables are covered via guarantee letters (31 December 2017: TL 6,105).

As at 31 March 2018, the Group's average maturity of trade receivables due from third parties is 32 days (31 December 2017: 38 days).

Foreign currency and credit risk exposure of trade receivables are presented under Note 24.

8.2 Trade Payables

As at 31 March 2018 and 31 December 2017, trade payables to third parties consist of the following:

	31 March 2018	**31 December 2017**
Payables to OEM companies	1,026,728	416,997
Other trade payables (**)	66,923	66,454
Dealer premium accrual (*)	35,790	-
Payables to dealers (*)	-	104,400
Other expense accrual	995	1,076
Total	**1,130,436**	**588,927**

OEMs provide a credit option to the Group up to 1 year, which is free from interest for 10 days. The OEMs charge the Group an interest of 1% per annum for trade payables not settled within 10 days (31 December 2017: 1% per annum).

(*) Group's payables to dealers consist of bonus payables paid on periodical basis, dealer premium accruals consist of bonus amounts which is accrued and not paid yet.

(**) 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 24.

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

NOTE 9 – OTHER RECEIVABLES

As at 31 March 2018 and 31 December 2017, other receivables comprise of the following:

	31 March 2018	31 December 2017
Warranty claims and price difference receivables (*)	103,399	168,348
Receivables due to insurance claims	14,183	16,256
Other	1,982	5,297
Total	**119,564**	**189,901**

(*) Warranty claims comprise the amounts to be paid by the suppliers in regards to the portion of warranty expenses of the vehicles imported by the Group, OEM's are responsible for. As at 31 March 2018, other receivables which has not been billed yet is amounting to TL 23,278 (31 December 2017: TL 103,818).

NOTE 10 – INVENTORIES

As at 31 March 2018 and 31 December 2017, inventories comprise of the following:

	31 March 2018	31 December 2017
Goods in transit (*)	1,099,215	463,613
Merchandise stocks – vehicles	712,327	790,392
Merchandise stocks – spare parts	177,853	176,607
	1,989,395	**1,430,612**
Provision for diminution in the value of inventories (-)	(5,968)	(5,268)
Total	**1,983,427**	**1,425,344**

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

The cost of inventories recognized as expense and included in cost of sales amounted to TL 2,365,543 for the three month period ended 31 March 2018 (31 March 2017: TL 1,826,689).

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

	2018	2017
Balance at 1 January	5,268	4,750
Additions in the current period	700	461
Balance at 31 March	**5,968**	**5,211**

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NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 March 2018 and 31 December 2017, investment in associates, joint ventures and the Group's share of control are as follows:

	31 March 2018		31 December 2017	
	Ownership %	Carrying amount	Ownership %	Carrying amount
Associates				
VDF	48	160,110	48	149,402
Doğuş Sigorta	42	36,881	42	36,203
Yüce Auto	50	32,874	50	28,807
VDF Servis	38.22	66,649	38.22	60,497
Doğuş Teknoloji	46	6,446	46	6,714
Total		**302,960**		**281,623**
Joint ventures				
TÜVTURK Kuzey – Güney	33.33	77,339	33.33	69,477
Meiller-Doğuş (*)	49	1,255	49	1,223
Total		**78,594**		**70,700**
Grand total		**381,554**		**352,323**

(*) It has been decided for cessation of activities and liquidation of the joint venture, and the process of liquidation is ongoing.

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

	2018	2017
Balance at 1 January	**352,323**	**305,986**
Shares in profits of associates and joint ventures, net	29,318	20,313
Change in fair value of available-for-sale financial assets held by associates	(87)	(93)
Participation in capital increase of associates and joint ventures	-	4,255
Deferred tax effect in relation to change in fair value of available-for-sale financial assets held by associates	-	4
Balance at 31 March	**381,554**	**330,465**

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NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 March 2018, 31 December 2017 and 31 March 2017, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	31 March 2018						31 March 2018		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	10,396,586	789,272	11,185,858	10,497,273	13,022	10,510,295	828,861	(788,749)	40,112
Joint ventures	217,686	825,985	1,043,671	263,513	546,791	810,304	466,823	(440,179)	26,644

	31 December 2017						31 March 2017		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	10,673,755	594,244	11,267,999	10,625,613	14,432	10,640,045	466,902	(434,521)	32,381
Joint ventures	176,591	844,982	1,021,573	258,194	554,366	812,560	382,691	(361,656)	21,035

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NOTE 11 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (Continued)

As at 31 March 2018, 31 December 2017 and 31 March 2017, cash and cash equivalents, short-term and long-term financial liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	31 March 2018			31 March 2018		
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortisation and depreciation expenses**	**Interest income**	**Interest expense**
Investment in associates	1,492,154	9,012,476	4,298	(8,132)	6,760	(7,782)
Joint ventures	81,752	58,207	46,505	(4,500)	4,567	(3,024)

	31 December 2017			31 March 2017		
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortisation and depreciation expenses**	**Interest income**	**Interest expense**
Investment in associates	1,384,140	9,497,657	6,485	(8,341)	3,858	(3,531)
Joint ventures	55,070	56,526	45,163	(3,342)	3,779	(4,538)

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation for the three month period ended 31 March 2018 are as follows:

	1 January 2018	Additions	Disposals	Transfers	Foreign currency translation difference	31 March 2018
Cost:						
Land	293,849	-	-	-	577	294,426
Land improvements	18,019	-	-	-	-	18,019
Buildings	462,817	-	-	-	5,204	468,021
Machinery and equipments	71,149	1,426	(159)	85	1,061	73,562
Motor vehicles	145,326	15,948	(26,235)	-	1,268	136,307
Furniture and fixtures	68,062	832	(31)	-	58	68,921
Leasehold improvements	91,833	17	-	-	858	92,708
Constructions in progress	55,725	14,275	-	(85)	(79)	69,836
	1,206,780	**32,498**	**(26,425)**	**-**	**8,947**	**1,221,800**
Accumulated depreciation:						
Land improvements	(12,251)	(174)	-	-	-	(12,425)
Buildings	(53,486)	(2,715)	-	-	(949)	(57,150)
Machinery and equipments	(38,368)	(1,534)	152	-	(800)	(40,550)
Motor vehicles	(41,586)	(7,603)	7,776	-	(229)	(41,642)
Furniture and fixtures	(38,178)	(2,188)	6	-	(49)	(40,409)
Leasehold improvements	(47,563)	(1,571)	-	-	(197)	(49,331)
	(231,432)	**(15,785)**	**7,934**	**-**	**(2,224)**	**(241,507)**
Carrying amount	**975,348**					**980,293**

Total depreciation expense amounting to TL 15,785 has been allocated to general administrative expenses in the condensed consolidated interim profit or loss statement for the three month period ended 31 March 2018 (31 March 2017: TL 16,605).

As at 31 March 2018 there is a lien on land owned by the Group amounting to TL 70,000 (31 December 2017: TL 70,000).

As at 31 March 2018, borrowing cost amounting to TL 40,926 is capitalized on property and equipments (31 December 2017: TL 40,835).

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property and equipment and related accumulated depreciation for the three month period ended 31 March 2017 are as follows:

	1 January 2017	Additions	Disposals	Transfers	Foreign currency translation difference	31 March 2017
Cost:						
Land	202,200	126,042	-	-	412	328,654
Land improvements	16,951	-	(191)	-	-	16,760
Buildings	355,931	64,949	-	-	3,714	424,594
Machinery and equipments	68,459	643	(2,260)	10	752	67,604
Motor vehicles	157,292	9,659	(28,495)	-	534	138,990
Furniture and fixtures	63,842	1,818	(2,680)	-	39	63,019
Leasehold improvements	90,767	-	(2,284)	918	579	89,980
Constructions in progress	15,393	5,709	-	(928)	-	20,174
	970,835	**208,820**	**(35,910)**	**-**	**6,030**	**1,149,775**
Accumulated depreciation:						
Land improvements	(11,605)	(156)	7	-	-	(11,754)
Buildings	(42,448)	(2,866)	-	-	(523)	(45,837)
Machinery and equipments	(33,818)	(1,548)	2,134	-	(515)	(33,747)
Motor vehicles	(35,322)	(8,327)	8,650	-	(149)	(35,148)
Furniture and fixtures	(32,355)	(2,120)	2,404	-	(22)	(32,093)
Leasehold improvements	(34,322)	(1,588)	2,245	-	(93)	(33,758)
	(189,870)	**(16,605)**	**15,440**	**-**	**(1,302)**	**(192,337)**
Carrying amount	**780,965**					**957,438**

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NOTE 13 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the three months period ended 31 March 2018 and 2017 are as follows:

	1 January – 31 March 2018	1 January – 31 March 2017
Cost:		
1 January	22,540	20,670
Additions	-	-
31 March	**22,540**	**20,670**
Accumulated depreciation		
1 January	(1,274)	(861)
Depreciation	(103)	(103)
31 March	**(1,377)**	**(964)**
Net book value as of 1 January	**21,266**	**19,809**
Net book value as of 31 March	**21,163**	**19,706**

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

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

The fair value of the investment property has been determined by a CMB licensed property appraiser company in December 2017. The fair value of the building amounts to TL 28,500 and there is no impairment indicator as of 31 March 2018 in relation to fair value of the investment property. (Level 2).

The useful life of the building that is classified as investment property is 50 years. The Group has recognized TL 331 rent income from the related investment property (31 March 2017: TL 289).

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of other short-term provisions as at 31 March 2018 and 31 December 2017 is presented below:

	31 March 2018	31 December 2017
Warranty provisions	43,105	48,379
Legal provisions	21,902	20,218
Total	**65,007**	**68,597**

14.2 Letter of Guarantees Given, Pledges and Mortgages

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

	31 March 2018				
		Original balances			
	Total TL equivalent	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of GPM given on behalf of own legal personality	1,608,256	135,653,291	-	298,304,924	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	50,326	-	-	1,000,000	11,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,658,582**	**135,653,291**	**-**	**299,304,924**	**16,000,000**

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

GPM amounting to TL 50,326 (31 December 2017: TL 70,708) given in favor of companies which are consolidated is related to general loan agreements. As at 31 March 2018, GPM amounting TL 8,551 of such GPMs have not been utilized (GPM amounting TL 11,121 were not utilized as at 31 December 2017).

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

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

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

	31 December 2017				
		Original balances			
	Total TL equivalent	Full TL	Full USD	Full Euro	Full CHF
A. Total amount of GPM given on behalf of own legal personality	1,671,009	135,399,965	-	335,806,625	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	70,708	-	-	2,000,000	16,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM	-	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,741,717**	**135,399,965**	**-**	**337,806,625**	**21,000,000**

14.3 Letter of Guarantees and Sureties Received

Letter of Guarantees Received

	31 March 2018	31 December 2017
Letter of guarantees received from fleet customers	38,842	69,805
Letters of guarantees received from fixed asset and service suppliers	51,032	43,953
Letters of guarantees received from dealers	31,890	28,784
Total	**121,764**	**142,542**

14.4 Operating Leases

	31 March 2018	31 December 2017
2018	37,146	42,141
2019	29,569	24,211
2020 and onwards	73,730	65,584
Total	**140,445**	**131,936**

The operational lease liability amounting to TL 46,390 is related to operational lease contracts signed with Group's related parties (31 December 2017: TL 40.476).

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NOTE 15 – PREPAYMENTS / DEFERRED INCOME / OTHER CURRENT ASSETS

15.1 Current Prepayments

As at 31 March 2018 and 31 December 2017, current prepayments comprise of the following:

	31 March 2018	31 December 2017
Prepaid expenses	37,694	24,901
Advances given	5,424	3,647
Total	**43,118**	**28,548**

15.2 Non-current Prepayments

As at 31 March 2018 and 31 December 2017, non-current prepayments comprise of the following:

	31 March 2018	31 December 2017
Advances given for property and equipment purchases	4,824	8,223
Prepaid expenses	1,802	2,385
Total	**6,626**	**10,608**

15.3 Deferred Income

As at 31 March 2018 deferred income comprise of the advances received from customers amounting to TL 21,463 (31 December 2017: TL 19,690), credit notes received from OEM amounting to TL 4,450 (31 December 2017: TL 2,761), and other deferred income amounting to TL 9,995 (31 December 2017: TL 10,193).

15.4 Other Current Assets

As at 31 March 2018 and 31 December 2017, other current assets comprise of the following:

	31 March 2018	31 December 2017
Deferred VAT	10,486	16,886
Other	2,533	1,543
Total	**13,019**	**18,429**

NOTE 16 – OTHER CURRENT LIABILITIES

As at 31 March 2018 and 31 December 2017, other current liabilities comprise of the following:

	31 March 2018	31 December 2017
VAT payable	40,843	61,432
Expense accruals	2,214	1,683
Total	**43,057**	**63,115**

NOTE 17 – EQUITY

Capital

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

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NOTE 17 – EQUITY (Continued)

Capital (Continued)

As at 31 March 2018 and 31 December 2017, the Company's capital has been presented based on historical cost and shareholder structure is as follows:

	31 March 2018		31 December 2017	
Shareholders	**TL**	**Shareholding (%)**	**TL**	**Shareholding (%)**
Doğuş Holding	98,947	44.98	98,947	44.98
Doğuş Araştırma Geliştirme ve Müşavirlik A.Ş.	66,638	30.29	66,638	30.29
Doğuş Otomotiv Servis ve Ticaret A.Ş. (*)	22,000	10.00	22,000	10.00
Publicly traded (*)	32,415	14.73	32,415	14.73
Paid-in capital	**220,000**	**100.00**	**220,000**	**100.00**
Inflation adjustment difference	23,115		23,115	
Total	**243,115**		**243,115**	

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

Restricted reserves appropriated from profits

The breakdown of restricted reserves is presented below:

	31 March 2018	31 December 2017
Treasury share reserves	220,291	220,288
Legal reserves	170,419	156,314
Special reserves	69,695	69,695
Total	**460,405**	**446,297**

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside as up to 5% of the distributable income per the statutory accounts each year. The ceiling of the first level reserves is 20% of the paid-in share capital. In case of a profit distribution in accordance with CMB regulations, second level legal reserves are set aside by rate of 1/10 for all cash distribution exceeding 5% of the share capital. In case of a profit distribution in accordance with statutory records, second level legal reserves are set aside by rate of 1/11 for all cash distribution exceeding 5% of the share capital. 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 the CMB Regulations, legal reserves will be presented under the "restricted reserves appropriated from profits. As at 31 March 2018, the legal reserves of the Group amounted to TL 170,419 (31 December 2017: TL 156,314).

The 75% portion of gains amounting to TL 19,981 and TL 49,256 arising from the sale of participation share on joint venture and associates on 6 September 2013 and 16 February 2015 recognized in statutory financial statements has been reclassified as "special reserves". As at 31 March 2018, the special reserves of the Group amounted to TL 69,695 (31 December 2017: TL 69,695).

Treasury shares

The Group reacquired its own shares that are traded on Borsa Istanbul A.Ş in accordance with the Communique on Buy Backed Shares (II-22.1) announced by CMB. In this context, the Group reacquired its own 22,000,000 units of registered shares in 2016 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 in the condensed consolidated interim financial statements. 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.

NOTE 17 – EQUITY (Continued)

Gains (Losses) on remeasurements of defined benefit plans

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

Retained earnings / (Accumulated losses)

Accumulated profits other than net current year profit and extraordinary reserves are classified under retained earnings. As at 31 March 2018, retained earnings are TL 203,241 (31 December 2017: TL 177,117).

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

Available-for-sale financial assets are recognized in condensed consolidated interim financial statements at their fair values. The valuation differences realized at the reporting date in carrying amount of the available-for-sale financial assets is recognized in "gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets" account under equity in the condensed consolidated interim financial statements. As at 31 March 2018, gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets of the Group amounted to TL 497,251 (31 December 2017: TL 498,792).

Foreign currency translation differences

Foreign currency translation differences comprise the foreign currency exchange rate differences arising from the translation of the financial statements on foreign currencies from functional currency to the presentation currency of the Group. As at 31 March 2018, the foreign currency translation differences of the Group amounted to TL 13,596 (31 December 2017: TL 12,085).

Dividend

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

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

In the General Assembly Meeting which was held on 29 March 2018, it was decided to distribute dividends to shareholders on the previous year's distributable profit which is calculated by deducting legal reserves from period income amounting to TL 143,000 additionally the Board of Directors are authorized to determine the exact dividend payment date.

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 condensed consolidated interim financial statements. As at 31 March 2018 and 31 December 2017, the related amounts in the "non-controlling interests" account in the condensed consolidated interim financial statements are TL 5,122 and TL 5,109 respectively. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "non-controlling interests" in the condensed consolidated interim profit or loss statement.

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NOTE 18 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the three month periods ended 31 March is presented below:

	2018	**2017**
General administration expenses	95,600	98,865
Marketing expenses	93,308	74,875
Total	**188,908**	**173,740**

18.1 Marketing Expenses

The breakdown of marketing expenses for the three month periods ended 31 March is presented below:

	2018	**2017**
Distribution expenses	24,834	22,246
Warranty expenses, net	21,654	10,747
Advertising expenses	21,384	15,577
Personnel expenses	17,366	17,781
Rent expense	3,252	3,452
Customer service expenses	2,427	2,209
Support expenses	2,391	2,863
Total	**93,308**	**74,875**

18.2 General Administration Expenses

The breakdown of general administration expenses for the three month periods ended 31 March is presented below:

	2018	**2017**
Personnel expenses	35,363	44,609
Depreciation and amortization expenses	21,013	20,824
Building expenses	8,691	8,293
Maintenance expenses	4,993	4,051
Vehicle expenses	4,499	2,761
Rent expenses	3,946	3,545
Consultancy expense	3,826	2,964
Traveling expenses	2,323	1,908
Insurance expenses	1,865	2,077
Corporate governance expenses	1,634	1,205
Communication expenses	789	861
Other	6,658	5,767
Total	**95,600**	**98,865**

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NOTE 19 – INCOME FROM INVESTING ACTIVITIES

The breakdown of income from investing activities for the three month periods ended 31 March is presented below:

	2018	2017
Gain on sale of property and equipment	7,253	5,504
Total	**7,253**	**5,504**

NOTE 20 – FINANCE EXPENSES, NET

The breakdown of finance expenses for the three month periods ended 31 March is presented below:

	2018	2017
Interest expense on borrowings	89,679	77,294
Commission expenses on letters of guarantee	3,351	842
Other	2,364	1,691
Total	**95,394**	**79,827**

NOTE 21 – 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. As at 31 March 2018, effective corporation tax is payable at a rate of 22% (will be applied as 22% for 2019 and 2020 tax periods) on the total income of the Company and its subsidiaries registered in Turkey after adjusting for certain disallowable expenses, tax-exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

As at 31 March 2018, enacted corporation tax rate is 22.8% for the subsidiary registered in Switzerland according to local tax law (31 December 2017: 22.8%). According to Swiss tax laws, losses can be carried forward for offsetting against future taxable income for up to 7 years.

As at 31 March 2018, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2017: 15%). According to Iraq tax laws, losses can be carried forward for offsetting against future taxable income for up to 5 years unless it is not exceeded by the half of the income for each year.

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NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income (will be applied as 22% for 2018, 2019 and 2020 tax periods). Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid during the year is offset against the annual corporation tax payable, which is calculated over the corporate tax return declared in the following year. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Dividend income of a resident arising from the investments in another resident is not subject to corporate tax (Excluding dividend from investment funds participation certificates and investment trust shares).

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

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

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

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

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

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years, are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account under liabilities 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 three month periods ended 31 March, taxation charge comprise of the following:

	2018	**2017**
Current tax expense	(25,910)	(9,694)
Deferred tax income / (expense)	9,010	7,405
Total tax expense	**(16,900)**	**(2,289)**

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NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

As of 31 March the tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

		2018		**2017**
Profit before tax		98,188		30,207
Income tax using the Company's domestic tax rate	(22%)	(21,601)	(20%)	(6,041)
Disallowable expenses	-	(340)	(2%)	(591)
Share of profit in equity accounted investees exempt from deferred tax calculation	6%	6,450	13%	4,062
Other	(1%)	(1,409)	1%	281
Total tax expense	**(17%)**	**(16,900)**	**(8%)**	**(2,289)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with Turkish Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. Tax rate is 22% for deferred tax assets and liabilities on temporary differences. Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 March 2018 for the temporary differences expected to be realized within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized after 2020. (31 December 2017: 20%).

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NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes

As at 31 March 2018 and 31 December 2017, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax Asset		Deferred tax liabilities		Net deferred tax asset/(liabilities)	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**	**31 March 2018**	**31 December 2017**
Fair value change of available-for-sale financial assets	-	-	(22,383)	(22,459)	(22,383)	(22,459)
Land	-	-	(1,393)	(1,393)	(1,393)	(1,393)
Carry forward tax losses	2,458	-	-	-	2,458	-
Other tangible and intangible assets	3,029	3,196	-	-	3,029	3,196
Warranty provision, net	8,516	9,767	-	-	8,516	9,767
Legal provision	4,394	4,065	-	-	4,394	4,065
Provision for diminution in value of inventories	1,208	1,291	-	-	1,208	1,291
Employee termination benefit	5,591	5,555	-	-	5,591	5,555
Unused vacation liability	1,531	1,522	-	-	1,531	1,522
Dealer premium accrual	7,874	-	-	-	7,874	-
Other	-	-	(8)	(6)	(8)	(6)
Total deferred tax asset/(liabilities)	34,601	25,396	(23,784)	(23,858)	10,817	1,538
Net off tax	(23,784)	(23,858)	23,784	23,858	-	-
Total deferred tax assets/(liabilities)	**10,817**	**1,538**	**-**	**-**	**10,817**	**1,538**

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

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

	1 January 2018	**Recognized in the profit or loss**	**Recognized in other comprehensive income**	**31 March 2018**
Fair value change of available-for-sale financial assets	(22,459)	-	76	(22,383)
Land	(1,393)		-	(1,393)
Carry forward tax losses	-	2,458	-	2,458
Other tangible and intangible assets	3,196	(167)	-	3,029
Warranty provision, net	9,767	(1,251)	-	8,516
Legal provision	4,065	329	-	4,394
Provision for diminution in value of inventories	1,291	(83)	-	1,208
Employee termination benefit	5,555	(157)	193	5,591
Unused vacation liability	1,522	9	-	1,531
Dealer premium accrual	-	7,874	-	7,874
Other	(6)	(2)	-	(8)
	1,538	**9,010**	**269**	**10,817**

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NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

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

	1 January 2017	Recognized in the profit or loss	Recognized in other comprehensive income	31 March 2017
Fair value change of available-for-sale financial assets	(21,012)	-	78	(20,934)
Land	(1,270)	(123)	-	(1,393)
Carry forward tax losses	7,485	2,597	-	10,082
Other tangible and intangible assets	1,848	(582)	-	1,266
Warranty provision, net	8,769	(1,574)	-	7,195
Legal provision	3,594	507	-	4,101
Provision for diminution in value of inventories	950	92	-	1,042
Employee termination benefit	2,972	41	1,523	4,536
Unused vacation liability	1,234	15	-	1,249
Dealer premium accrual	-	6,492	-	6,492
Other	43	(60)	-	(17)
	4,613	**7,405**	**1,601**	**13,619**

As at 31 March 2018, current income tax liabilities amounting to TL 24,865 (31 December 2017:TL 5,827) is comprised by tax provision for the three months periods ended 31 March 2018.

As at 31 March 2018, there is no current income tax assets (31 December 2017: TL 445)

NOTE 22 – 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 three month periods ended 31 March, earnings per share are calculated as follows:

	31 March 2018	31 March 2017
Net profit attributable to the equity holders of the Company	81,275	28,288
Number of basic shares	198,000,000	214,173,982
Basic/diluted earnings per share (in full TL)	**0.4105**	**0.1321**

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

23.1 Due from Related Parties

As at 31 March 2018 and 31 December 2017, trade receivables from related parties comprise the following:

23.1.1 Due from associates

	31 March 2018	31 December 2017
Yüce Auto	2,425	2,913
VDF	225	658
Other	-	2
Total	**2,650**	**3,573**

23.1.2 Due from joint ventures

	31 March 2018	31 December 2017
TÜVTURK	6	1
Total	**6**	**1**

23.1.3 Due from other related parties

	31 March 2018	31 December 2017
VDF Faktoring Hizmetleri A.Ş. (“VDF Faktoring”)	728,291	1,106,520
VDF Filo Kiralama A.Ş.	1,270	89
VDF Sigorta Aracılık Hizmetleri A.Ş.	717	1,290
Other	117	102
Total	**730,395**	**1,108,001**

23.1.4 Due from shareholders

	31 March 2018	31 December 2017
Doğuş Holding	52	-
Total	**52**	**-**
Grand total	**733,103**	**1,111,575**

As at 31 March 2018, the Group charges monthly 1% overdue interest to related parties (31 December 2017: 1% per month).

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.2 Current prepayments due from related parties

23.2.1 Current prepaid expenses

	31 March 2018	31 December 2017
Pozitif Arena Salon İşletmeleri A.Ş.	3,014	4,132
VDF Sigorta Aracılık Hizmetleri A.Ş.	155	187
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	105	411
Other	1,483	3,004
Total	**4,757**	**7,734**

28.2.2 Advances given to other related parties

	31 March 2018	31 December 2017
Antur Turizm A.Ş	275	402
Total	**275**	**402**
Grand total	**5,032**	**8,136**

23.3 Non-current prepayments due from related parties

23.3.1 Non-current prepaid expenses

	31 March 2018	31 December 2017
Pozitif Müzik	156	-
Doğuş Teknoloji	52	-
Pozitif Arena Salon İşletmeleri A.Ş.	-	64
Total	**208**	**64**
Grand total	**208**	**64**

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

NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.4 Trade payables due to Related Parties

23.4.1 Trade payables due to associates

	31 March 2018	31 December 2017
Yüce Auto	31,153	23,434
Doğuş Teknoloji	4,016	4,339
VDF	3,178	7,700
Total	**38,347**	**35,473**

23.4.2 Trade payables due to other related parties

	31 March 2018	31 December 2017
Antur Turizm A.Ş.	1,559	2,423
Doğuş Enerji Toptan Elektrik Ticaret A.Ş.	674	651
Doğuş Yayın Grubu A.Ş.	260	66
VDF Sigorta Aracılık Hizmetleri A.Ş.	17	14
Other	1,381	3,083
Total	**3,891**	**6,237**

23.4.3 Trade payables due to shareholders

	31 March 2018	31 December 2017
Doğuş Holding	2,514	2,908
Total	**2,514**	**2,908**
Grand total	**44,752**	**44,618**

23.5 Other payables due to Related Parties

23.5.1 Other payables due to shareholders

	31 March 2018	31 December 2017
Dividend payables to shareholders	143,000	-
Total	**143,000**	**-**
Grand total	**143,000**	**-**

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.6 Related Party Transactions

Related party transactions for the three month periods ended 31 March are as follows:

23.6.1 Associates

	31 March 2018	31 March 2017
Sales and other income generating transactions:		
Other income	7,353	4,691
Sale of products and returns, net	2,185	1,020
Sale of services, net	116	43
Total	**9,654**	**5,754**
Purchases and expense incurring transactions:		
Inventory purchases	84,954	25,304
Incentives for consumer loans	9,108	7,051
Other purchases	7,926	4,892
Fixed asset purchases	6,020	5,109
Services rendered	3,142	2,384
Other expenses	65	-
Total	**111,215**	**44,740**

23.6.2 Joint ventures

	31 March 2018	31 March 2017
Sales and other income generating transactions:		
Sale of products and returns, net	11	22
Sale of services, net	9	5
Total	**20**	**27**
Purchases and expense incurring transactions:		
Services rendered	5	7
Total	**5**	**7**

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.6 Related Party Transactions (Continued)

23.6.3 Other related parties

a) Income generated from other related parties

	31 March 2018			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
VDF Filo	41,937	184	46	42,167
VDF Sigorta	3	3	1,237	1,243
VDF Faktoring	1	-	-	1
Other	156	23	465	644
	42,097	**210**	**1,748**	**44,055**

	31 March 2017			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	34,833	445	-	35,278
VDF Faktoring	4	1	-	5
VDF Sigorta	13	3	1,446	1,462
Other	11,366	48	187	11,601
	46,216	**497**	**1,633**	**48,346**

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.6 Related Party Transactions (Continued)

23.6.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties

	31 March 2018						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other Purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	5,060	-	-	-	82	1	5,143
Doğuş Gayrimenkul Yatırım Ortaklığı	4,868	-	-	-	-	-	4,868
Doğuş Enerji	1,707	-	-	-	-	-	1,707
VDF Sigorta	4	-	-	-	48	131	183
Diğer	3,086	96	349	1,341	258	3,196	8,326
	14,725	**96**	**349**	**1,341**	**388**	**3,328**	**20,227**

	31 March 2017						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	4,804	-	-	-	40	137	4,981
Doğuş Gayrimenkul Yatırım Ortaklığı	4,175	-	-	-	-	-	4,175
Doğuş Enerji	1,557	-	-	-	-	-	1,557
VDF Sigorta	16	-	-	-	309	87	412
Diğer	1,568	-		7,429	5	1,148	10,150
	12,120	**-**	**-**	**7,429**	**354**	**1,372**	**21,275**

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NOTE 23 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

23.6 Related Party Transactions (Continued)

23.6.4 Transactions with shareholders

a) Income generated from shareholders

	31 March 2018				
	Sale of products	**Sale of services**	**Income from investing activities**	**Other income from operating activities**	**Total**
Doğuş Holding	70	32	-	-	102
Doğuş ARGE	131	-	-	-	131
	201	**32**	-	-	**233**

	31 March 2017				
	Sale of products	**Sale of services**	**Income from investing activities**	**Other income from operating activities**	**Total**
Doğuş Holding	11	9	-	-	20
	11	**9**	-	-	**20**

b) Expenses arising from transactions with shareholders

	31 March 2018			
	Services rendered	**Purchase of fixed assets**	**Other expenses from operating activities**	**Total**
Doğuş Holding	4,616	1	47	4,664
	4,616	**1**	**47**	**4,664**

	31 March 2017			
	Services rendered	**Purchase of fixed assets**	**Other expenses from operating activities**	**Total**
Doğuş Holding	2,221	186,967	29	189,217
	2,221	**186,967**	**29**	**189,217**

23.7 Key Management Personnel Compensation

	2018	**2017**
Salaries and other short-term employee benefits	7,500	15,168
Total	**7,500**	**15,168**

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

Remuneration of board of directors and executive management for the three month periods ended 31 March 2018 and 2017 includes salaries, health insurance and employer shares of Social Security Institution.

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NOTE 24 – FINANCIAL INSTRUMENTS

Financial instruments and capital risk management

Financial risk factors

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

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

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

The following table sets out the Group's financial liability to equity ratio as at 31 March 2018 and 31 December 2017:

	31 March 2018	**31 December 2017**
Total financial liabilities	2,400,245	2,974,838
Cash and cash equivalents	(92,005)	(156,266)
Total financial liabilities, net	**2,308,240**	**2,818,572**
Total equity	1,264,930	1,327,445
Financial liabilities/equity ratio	**1.82**	**2.12**

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

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

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

(a) Credit risk

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

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

	Receivables						
	Trade receivables		Other receivables				
31 March 2018	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Derivative instruments**	**Other**
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	733,103	207,625	-	120,100	91,833	-	-
- Guaranteed portion of the maximum exposure	-	93,043	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	733,103	191,884	-	120,100	91,833	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	15,741	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,516	-	-	-	-	-
- Impairment (-)	-	(1,516)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	93,043	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	93,043	-	-	-	-	-
D. Off financial statement items with credit risks (****)	-	-	-	-	-	-	-

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

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

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

(**) As at 31 March 2018 and 31 December 2017, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 31 March 2018 and 31 December 2017, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

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

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

Aging of past due receivables that are not impaired

As at 31 March 2018 and 31 December 2017, the aging of past due receivables that are not impaired are as follows:

	Receivables		**Deposits on banks**	**Derivative instruments**	**Other**
31 March 2018	**Trade receivables**	**Other receivables**			
Past due 1-30 days	4,955	-	-	-	-
Past due 1-3 months	10,786	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	10,744	-	-	-	-

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

(b) Liquidity risk

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

Risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group, in order to minimize liquidity risk, holds adequate cash and available line of credit (including factoring capacity). In this regard, as at 31 March 2018, the Group have lines of credit amounting to Euro 657,852, USD 388,500, CHF 5,000 and TL 3,873,772 (31 December 2017: lines of credit amounting to Euro 657,852, USD 388,500, CHF 5,000 and TL 3,873,772). The utilized portions of the aforementioned total credit lines are disclosed in Note 7.

In addition, the Group has a non-cash credit line obtained from underwriting banks amounting to Euro 295,500 and CHF 5,000 equivalent to TL 1,458,950 (31 December 2017: Euro 333,000 and CHF 5,000 equivalent to TL 1,522,936) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months. The Group's credit purchase limit based on the letters of guarantee given to the main foreign suppliers of which Euro 98,660 and CHF 4,232 equivalent to TL 497,697 is not used as at 31 March 2018 (31 December 2017: Euro 248,932 and CHF 5,000 equivalent to TL 1,139,750).

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The below tables show the financial liabilities of the Group according to their remaining maturities as at 31 March 2018 and 31 December 2017:

	31 March 2018					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	2,400,245	2,400,301	800,868	1,587,478	11,955	-
Trade payables to related parties	44,752	44,752	44,752	-	-	-
Trade payables to third parties	1,130,436	1,130,436	213,662	916,774	-	-
Other current liabilities (*)	2,214	2,214	2,214	-	-	-
Total non-derivative financial liabilities	**3,577,647**	**3,577,703**	**1,061,496**	**2,504,252**	**11,955**	**-**

	31 December 2017					
Contractual maturities	**Carrying amount**	**Total contractual cash outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	2,974,838	2,974,837	1,357,725	1,605,908	11,204	-
Trade payables to related parties	44,618	44,618	44,618	-	-	-
Trade payables to third parties	588,927	588,927	243,392	345,535	-	-
Other current liabilities (*)	1,677	1,677	1,677	-	-	-
Total non-derivative financial liabilities	**3,610,060**	**3,610,059**	**1,647,412**	**1,951,443**	**11,204**	**-**

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

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NOTE 24 – 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 throught taking limited positions within limits recommended by executive board and approved by board of directors as well using derivative instruments where necessary.

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

Currency sensitivity analysis		
31 March 2018		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(66)	66
2- USD risk averse portion (-)		
3- Net USD effect (1+2)	**(66)**	**66**
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	15,098	(15,098)
5- Euro risk averse portion (-)		
6- Net Euro effect (4+5)	**15,098**	**(15,098)**
TOTAL (3+6)	**15,032**	**(15,032)**

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

Currency sensitivity analysis		
31 March 2017		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(507)	507
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	**(507)**	**507**
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	33,997	(33,997)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	**33,997**	**(33,997)**
TOTAL (3+6)	**33,490**	**(33,490)**

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NOTE 24 – 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 Swiss Franc as at 31 March 2018, 31 December 2017 and 31 March 2017 are as follows:

	31 March 2018	31 December 2017	31 March 2017
USD	3.9489	3.7719	3.6386
Euro	4.8673	4.5155	3.9083
CHF	4.1326	3.8548	3.6437

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

	31 March 2018				
		Original balances			
	Total TL equivalent	USD	Euro	CHF	Other
Assets:					
Trade receivables	13,139	1	1,032	1,963	-
Monetary financial assets	4,314	109	446	411	21
Other monetary assets	1,180,550	86	242,335	157	9
Total assets	**1,198,003**	**196**	**243,813**	**2,531**	**30**
Trade payables	1,039,284	205	212,663	818	-
Financial liabilities	26,808	-	-	6,487	-
Other monetary liabilities	12,229	43	130	2,765	-
Current liabilities	**1,078,321**	**248**	**212,793**	**10,070**	**-**
Financial liabilities	11,902	-	-	2,880	-
Non-current liabilities	**11,902**	**-**	**-**	**2,880**	**-**
Total liabilities	**1,090,223**	**248**	**212,793**	**12,950**	**-**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/ asset position	**107,780**	**(52)**	**31,020**	**(10,419)**	**30**
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	33,815	363	6,653	-	-
Sureties and letters of guarantee given	1,522,924	-	299,304	16,000	-
Import	1,942,092	-	399,008	-	-

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

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

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

As at 31 March 2018, goods-in-transit of the Group amount to Euro 225,837 equivalent to TL 1,099,215 (31 December 2017: Euro 102,671 equivalent to TL 463,613).

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(d) Market risk

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

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

Under the assumption of 10% increase/decrease in share prices as at 31 March 2018, all other variables held constant, the Group's equity would have been increased/decreased by TL 17,082 (31 December 2017: TL 8,857).

(e) Interest rate risk

At 31 March 2018, if market interest rates on TL denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the period to be lower/higher by TL 3 (31 March 2017: TL 14). At 31 March 2017, if market interest rates on USD denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the period to be lower/higher by TL 16. Interest rate table is as follows:

31 March 2018	**Interest rate table**		
		Current period	**Previous period**
	Financial instruments with floating interest rates		
Financial liabilities	TL	3	14
Financial liabilities	USD	-	16

(f) Fair value

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

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

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

As 31 March 2018 and 31 December 2017, net carrying amounts and fair values of assets and liabilities as shown below:

31 March 2018	**Loans and receivables**	**Available for sale financial assets**	**Financial liabilities at amortised cost**	**Net carrying amount**	**Fair value**	**Note**
Financial assets						
Cash and cash equivalents	92,005	-	-	92,005	92,005	5
Financial investments	-	577,747	-	577,747	577,747	6
Trade receivables from third parties	207,625	-	-	207,625	207,625	-
Other receivables from third parties	120,100	-	-	120,100	120,100	-
Trade receivables from related parties	733,103	-	-	733,103	733,103	23.1
Financial liabilities						
Trade payables to third parties	-	-	1,130,436	1,130,436	1,130,436	8.2
Trade payables to related parties	-	-	44,752	44,752	44,752	23.4
Other payables to related parties			143,000	143,000	143,000	23.5
Borrowings	-	-	2,400,245	2,400,245	2,400,245	7

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

31 December 2017	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Net carrying amount	Fair value	Note
Financial assets						
Cash and cash equivalents	156,266	-	-	156,266	156,266	5
Financial investments	-	579,277	-	579,277	579,277	6
Trade receivables from third parties	263,759	-	-	263,759	263,759	-
Other receivables from third parties	190,425	-	-	190,425	190,425	-
Trade receivables from related parties	1,111,575	-	-	1,111,575	1,111,575	23.1
Financial liabilities						
Trade payables to third parties	-	-	588,927	588,927	588,927	8.2
Trade payables to related parties	-	-	44,618	44,618	44,618	23.4
Borrowings	-	-	2,974,838	2,974,838	2,974,838	7

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NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Classification regarding fair value measurement

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

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

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

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

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

	31 March 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	-	577,747	-	577,747
Total financial assets	**-**	**577,747**	**-**	**577,747**

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	-	579,277	-	579,277
Total financial assets	**-**	**579,277**	**-**	**579,277**

NOTE 25 – SUBSEQUENT EVENTS

None.