DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017 WITH INDEPENDENT AUDITOR'S REVIEW THEREON
(Originally issued in Turkish)

17 August 2017
This report is consisted of 2 pages of independent auditor's review report and
65 pages condensed consolidated interim financial statements with accompanying notes.

(Convenience Translation into English of the Independent Auditor's Review Report Originally Issued in Turkish)

Review Report on the Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Doğuş Otomotiv Servis ve Ticaret A.Ş. and its subsidiaries (the "Group") as at 30 June 2017, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month period then ended ,significant accounting policies and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of a Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited 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 reporting process, and applying analytical and other review procedures. A review of interim condensed consolidated financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion

Conclusion

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

(Convenience Translation into English of the Independent Auditor's Review Report Originally Issued in Turkish)

Other matters

The consolidated financial statements of the Group prepared in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") as of December 31, 2016, were audited by another audit firm whose independent auditor's report thereon dated February 28, 2017 expressed an unqualified opinion. The interim condensed consolidated financial statements as of June 30, 2016 of the Group prepared in accordance with TAS 34 were also reviewed by the same audit firm whose independent auditor's review report thereon dated August 18, 2016 expressed that nothing had come to their attention that caused them to believe that the interim condensed consolidated financial statements were not prepared in accordance with TAS 34.

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

Ferzan Ülgen, SMMM
Partner

17 August 2017
İstanbul, Türkiye

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2017 AND 31 DECEMBER 2016
(Convenience translation of condensed consolidated interim financial statements originally issued in Turkish and amounts expressed in thousands of TL unless otherwise indicated.)

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DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

(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	**30 June 2017**	**31 December 2016**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	74,272	89,098
Trade receivables		1,025,213	1,213,786
Trade receivables due from related parties	23.3	648,918	799,371
Trade receivables due from third parties		376,295	414,415
Other receivables		51,088	95,762
Other receivables due from related parties	23.4	-	22
Other receivables due from third parties	9	51,088	95,740
Inventories	10	1,674,213	1,650,960
Prepayments	15.1	75,761	21,955
Current tax assets	21	3,994	-
Other current assets		7,828	68,837
Total current assets		**2,912,369**	**3,140,398**
NON-CURRENT ASSETS			
Financial investments		553,463	550,350
Available-for-sale financial assets	6	553,463	550,350
Other receivables		513	514
Other receivables due from third parties		513	514
Investments accounted for using equity method	11	317,936	305,986
Investment property	13	19,602	19,809
Property, plant and equipment	12	957,762	780,965
Intangible assets		29,294	26,226
Prepayments	15.2	13,323	20,121
Deferred tax asset	21	8,257	7,485
Total non-current assets		**1,900,150**	**1,711,456**
TOTAL ASSETS		**4,812,519**	**4,851,854**

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Current borrowings	7	2,568,959	2,446,084
Current portion of non-current borrowings	7	7,226	284,179
Trade payables		872,036	770,675
Trade payables to related parties	23.7	30,293	39,187
Trade payables to third parties	8.2	841,743	731,488
Employee benefit obligations		9,303	16,458
Deferred income		32,336	29,239
Current tax liabilities	21	-	3,033
Current provisions		54,831	61,810
Other current provisions	14.1	54,831	61,810
Other current liabilities	16	38,198	67,602
Total current liabilities		**3,582,889**	**3,679,080**
NON-CURRENT LIABILITIES			
Long-term borrowings	7	10,529	28,172
Deferred income		1,203	1,995
Non-current provisions		29,596	21,022
Non-current provisions for employee benefits		29,596	21,022
Deferred tax liabilities	21	1,491	2,872
Total non-current liabilities		**42,819**	**54,061**
TOTAL LIABILITIES		**3,625,708**	**3,733,141**
EQUITY			
Equity attributable to equity holders of the Company		**1,182,269**	**1,114,091**
Issued capital	17	220,000	220,000
Inflation adjustment on capital	17	23,115	23,115
Treasury shares (-)		(220,274)	(220,274)
Accumulated other comprehensive income (loss) that will not be reclassified in profit or loss		*(14,040)*	*(7,636)*
Gains (losses) on revaluation and remeasurement		(14,040)	(7,636)
Gains (losses) on remeasurements of defined benefit plans		(14,040)	(7,636)
Accumulated other comprehensive income (loss) that will be reclassified in profit or loss		*480,315*	*475,472*
Currency translation differences	17	7,516	5,808
Gains (losses) on revaluation and reclassification		472,799	469,664
Gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets	17	472,799	469,664
Restricted reserves appropriated from profits	17	446,283	446,283
Legal reserves		156,314	156,314
Treasury share reserves		220,274	220,274
Other restricted profit reserves		69,695	69,695
Retained earnings / (Accumulated losses)	17	177,131	(60,557)
Profit for the period		69,739	237,688
Non-controlling interests		**4,542**	**4,622**
TOTAL EQUITY		**1,186,811**	**1,118,713**
TOTAL EQUITY AND LIABILITIES		**4,812,519**	**4,851,854**

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.)

PROFIT OR LOSS	Notes	Reviewed For the six month period ended 30 June 2017	Reviewed For the six month period ended 30 June 2016	Reviewed For the three month period ended 30 June 2017	Reviewed For the three month period ended 30 June 2016
Revenue		5,215,259	5,359,824	3,130,374	3,107,379
Cost of sales		(4,677,498)	(4,804,731)	(2,825,213)	(2,805,061)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**537,761**	**555,093**	**305,161**	**302,318**
GROSS PROFIT (LOSS)		**537,761**	**555,093**	**305,161**	**302,318**
General administrative expenses	18.2	(195,725)	(194,954)	(96,860)	(106,126)
Marketing expenses	18.1	(185,374)	(189,704)	(110,499)	(102,644)
Other income from operating activities		50,172	33,433	11,700	14,887
Other expenses from operating activities		(28,718)	(25,001)	(15,603)	(14,088)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**178,116**	**178,867**	**93,899**	**94,347**
Investment activity income	19	17,497	16,860	11,993	11,185
Share of profit (loss) from investments accounted for using equity method	11	45,454	56,368	25,141	35,817
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**241,067**	**252,095**	**131,033**	**141,349**
Finance costs	20	(166,626)	(124,291)	(86,799)	(70,043)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**74,441**	**127,804**	**44,234**	**71,306**
Tax (expense) income, continuing operations		**(4,782)**	**(14,635)**	**(2,493)**	**(5,349)**
Current period tax (expense) income	21	(5,489)	(19,093)	4,205	1,652
Deferred tax (expense) income	21	707	4,458	(6,698)	(7,001)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**69,659**	**113,169**	**41,741**	**65,957**
PROFIT (LOSS)		**69,659**	**113,169**	**41,741**	**65,957**
Profit (loss), attributable to					
Non-controlling interests		**(80)**	**200**	**290**	**113**
Owners of parent		**69,739**	**112,969**	**41,451**	**65,844**
Basic earnings per share					
Basic earnings(loss) per share from continuing operations	22	**0.3256**	**0.5135**	**0.1935**	**0.2993**
Diluted earnings per share					
Diluted earnings(loss) per share from continuing operations	22	**0.3256**	**0.5135**	**0.1935**	**0.2993**

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 For the six month period ended 30 June 2017	Reviewed For the six month period ended 30 June 2016	Reviewed For the three month period ended 30 June 2017	Reviewed For the three month period ended 30 June 2016
PROFIT (LOSS)		**69,659**	**113,169**	**41,741**	**65,957**
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss		**(6,404)**	**334**	**(314)**	**761**
Gains (losses) on remeasurements of defined benefit plans		(8,005)	417	(392)	951
Other comprehensive income that will not be reclassified to profit or loss, tax effect		*1,601*	*(83)*	*78*	*(190)*
Gains (losses) on remeasurements of defined benefit plans, tax effect	21	1,601	(83)	78	(190)
Other comprehensive income that will be reclassified to profit or loss		**4,843**	**3,841**	**5,528**	**(17,993)**
Foreign currency translation differences		1,708	195	825	(108)
Gains (losses) on remeasuring and/or reclassification of available-for-sale-financial assets		*3,113*	*3,622*	*4,670*	*(17,759)*
Gains (losses) on remeasuring available-for-sale-financial assets	6	3,113	3,622	4,670	(17,759)
Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss	11	177	206	266	(1,013)
Other comprehensive income that will be reclassified to profit or loss, tax effect		*(155)*	*(182)*	*(233)*	*887*
Gains (losses) on remeasuring or reclassification on available-for-sale-financial assets, tax effect	21	(155)	(182)	(233)	887
OTHER COMPREHENSIVE INCOME (LOSS)		**(1,561)**	**4,175**	**5,214**	**(17,232)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**68,098**	**117,344**	**46,955**	**48,725**
Total comprehensive income attributable to					
Non-controlling interests		(80)	200	290	113
Owners of parent		68,178	117,144	46,665	48,612

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 SIX MONTH PERIODS ENDED 30 JUNE

(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 (Note 17)	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) (Note 17)	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 2016	**220,000**	**23,115**	**-**	**(7,248)**	**6,033**	**430,890**	**146,889**	**235,916**	**302,921**	**1,358,516**	**4,367**	**1,362,883**
Transfers	-	-	-	-	-	-	79,120	223,801	(302,921)	-	-	-
Total comprehensive income (loss)	**-**	**-**	**-**	**334**	**195**	**3,646**	**-**	**-**	**112,969**	**117,144**	**200**	**117,344**
Profit (loss) for the period	-	-	-	-	-	-	-	-	112,969	112,969	200	113,169
Other comprehensive income (loss)	-	-	-	334	195	3,646	-	-	-	4,175	-	4,175
Dividends paid	-	-	-	-	-	-	-	(300,000)	-	(300,000)	-	(300,000)
Balance at 30 June 2016	**220,000**	**23,115**	**-**	**(6,914)**	**6,228**	**434,536**	**226,009**	**159,717**	**112,969**	**1,175,660**	**4,567**	**1,180,227**
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)	**-**	**-**	**-**	**(6,404)**	**1,708**	**3,135**	**-**	**-**	**69,739**	**68,178**	**(80)**	**68,098**
Profit (loss) for the period	-	-	-	-	-	-	-	-	69,739	69,739	(80)	69,659
Other comprehensive income (loss)	-	-	-	(6,404)	1,708	3,135	-	-	-	(1,561)	-	(1,561)
Balance at 30 June 2017	**220,000**	**23,115**	**(220,274)**	**(14,040)**	**7,516**	**472,799**	**446,283**	**177,131**	**69,739**	**1,182,269**	**4,542**	**1,186,811**

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE

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

	Notes	Reviewed 30 June 2017	Reviewed 30 June 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES:		**483,648**	**21,275**
Profit (loss) for the period		69,659	113,169
Adjustments to for profit (loss) for the period reconciliation:		**193,999**	**158,446**
Adjustments for depreciation and amortization expense	18.2	39,641	30,291
Adjustments for (reversal of) impairment		*1,146*	*1,305*
Adjustments for (reversal of) impairment loss of receivables		189	78
Adjustments for (reversal of) impairment loss of inventories	10	957	1,227
Adjustments for provisions		*52,206*	*61,106*
Adjustments for provisions for employee benefits		4,765	2,443
Adjustments for (reversal of) lawsuit and/or penalty provision expenses		1,655	2,604
Adjustments for (reversal of) warranty provisions	18	32,597	37,840
Adjustments for (reversal of) other provisions	8.2	13,189	18,219
Adjustments for dividend (income) expenses	19	(8,927)	(9,259)
Adjustments for interest (income) and expense		*159,175*	*121,364*
Adjustments for interest income		(1,224)	(582)
Adjustments for interest expense		160,399	121,946
Adjustments for unrealized foreign exchange losses (gains)		-	(27)
Adjustments for undistributed profits of investments accounted for using equity method	11	(45,454)	(56,368)
Adjustments for tax (income) expenses	21	4,782	14,635
Adjustments for losses (gains) on disposal of non-current assets		*(8,570)*	*(7,601)*
Adjustments for losses (gains) on disposal of property, plant and equipment	19	(8,570)	(7,601)
Other adjustments to reconcile profit (loss)		-	3,000
Changes in working capital		**276,533**	**(206,994)**
Adjustments for decrease (increase) in trade receivables		*188,209*	*7,803*
Decrease (increase) in due from related parties		150,453	22,768
Decrease (increase) in due from third parties		37,756	(14,965)
Adjustments for decrease (increase) in inventories		(24,210)	(667,316)
Adjustments for increase (decrease) in trade payables		*88,112*	*516,469*
Increase (decrease) in due to related parties		(8,894)	19,614
Increase (decrease) in due to third parties		97,006	496,855
Increase (decrease) in deferred income		2,305	6,495
Adjustments for other increase (decrease) in working capital		22,117	(70,445)
Cash flows from operations		**540,191**	**64,621**
Interest received		1,224	582
Payments related with provisions for employee benefits		(4,195)	(1,820)
Payments related with other provisions		(41,231)	(37,961)
Income taxes refund (paid)		(12,516)	(4,747)
Other cash inflows (outflows)		175	600
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(162,738)**	**(29,331)**
Cash inflows caused by share sales or capital decrease of associates and/or joint ventures	11	5,880	-
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	11	(4,255)	(1,380)
Cash inflow by proceeds from sales of property, plant and equipment and intangible assets		*43,578*	*30,931*
Cash inflow by proceeds from sales of property, plant and equipment		43,578	30,931
Cash outflow by acquisition of property, plant and equipment and intangible assets		*(248,924)*	*(103,559)*
Cash outflow by acquisition of property, plant and equipment		(237,459)	(94,543)
Cash outflow by acquisition of intangible assets		(11,465)	(9,016)
Dividends received		40,983	44,677
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(336,622)**	**(9,792)**
Proceeds from issuance of borrowings		1,450,561	801,780
Repayments of borrowings		(1,684,361)	(444,797)
Dividends paid		-	(300,000)
Interest paid		(102,822)	(66,317)
Other cash inflows (outflows)		-	(458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**(15,712)**	**(17,848)**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**886**	**(15)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(14,826)**	**(17,863)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**89,098**	**71,870**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	**74,272**	**54,007**

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 and 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 30 June 2017 are as follows:

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

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

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

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

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

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

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

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

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

Sarıyer, İstanbul,Türkiye.

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

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

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

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 30 June 2017 is 917 (31 December 2016: 906) whereas the average number of white-collar employees of the Group for the period ended 30 June 2017 is 1.866 (31 December 2016: 1,802).

NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED 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) Approval of financial statements

The condensed consolidated interim financial statements of the Company as of and for the period ended 30 June 2017 have been approved by the Board of Directors on 17 August 2017. The legal authorities of the General Assembly of the Company have the right to modify the issued financial statements.

(iii) Correction on financial statements during hyperinflationary periods

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" 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.

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

NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED 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 (Continued)

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

(vi) 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 30 June 2017.

2.2 Changes in TAS/TFRS

The new and amended standards and interpretations effective as of 1 January 2017 in accordance with TMS/TFRS have no impact on the consolidated financial statements of the Group. 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 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.

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, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Group. Besides, currently trade discounts and volume rebates can be reliably measured on a quarterly basis accordingly they are recognised at annual and interim financial statements. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.2 Changes in TAS/TFRS (Continued)

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 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 a high-level impact assessment of TFRS 9. This preliminary 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. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of TFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

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

In December 2015, the IASB 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.

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.

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

2.2 Changes in TAS/TFRS (Continued)

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

IFRS 16 Leases

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 if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

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

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

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

2.2 Changes in TAS/TFRS (Continued)

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

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

The IASB issued amendments to IAS 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. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation 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.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is 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 FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Changes in TAS/TFRS (Continued)

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

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 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.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 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 IFRS 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. Earlier application is permitted.

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

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 FINANCIAL STATEMENTS AND APPLIED ACCOUNTING POLICIES (Continued)

2.2 Changes in TAS/TFRS (Continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group is in the process of assessing the impact of the standard 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, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

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

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

NOTE 2 – BASIS OF PREPARATION OF CONDENSED CONSOLIDATED 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 30 June 2017 and 31 December 2016:

	30 June 2017	**31 December 2016**
Doğuş Oto Pazarlama	96.20%	96.20%
Doğuş Auto Mısır JS (*)	99.97%	99.97%
Doğuş Auto Mısır LLC (*)	98.97%	98.97%
Doğuş Auto Swiss	99.95%	99.95%
D-Auto Limited Liability Company	100.00%	100.00%

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

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

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

2.3 Basis of Consolidation (Continued)

(iii) Joint Arrangements

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

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

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

The accompanying 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 30 June 2017 and 31 December 2016.

	30 June 2017	**31 December 2016**
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%

(*) The distributorship agreement between the Group and F.X. Meiller Fahrzeug- und Maschinenfabrik-GmbH & Co KG has been terminated.

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

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

2.3 Basis of Consolidation (Continued)

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but does not have control, over the financial and operating policies. The 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.

The table below sets out all the associates included in the scope of consolidation and shows the Group's share of control as at 30 June 2017 and 31 December 2016:

	30 June 2017	31 December 2016
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), 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.

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

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 30 June 2017 comparatively with the consolidated statement of financial position as at 31 December 2016, 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 six month period ended 30 June 2017 comparative to the six month period ended 30 June 2016.

Reclassifications regarding the condensed consolidated profit or loss statement as of 30 June 2016;

- Rent expense, previously presented in marketing expense amounting to TL 5,011 thousand has been presented as general administrative expense.
- Gain on sale of property and equipment, previously presented in other income from operating activities amounting to TL 7,601 thousand has been reclassified to investment activity income.

Reclassifications regarding the financial statements as of 31 December 2016;

- Unused vacation liability, previously presented in current provisions for employee benefits amounting to TL 6,166 thousand has been reclassified to non-current provisions for employee benefits.

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

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 six months period ended 30 June 2017 with those consolidated financial statements for the year ended 31 December 2016.

The condensed consolidated interim financial statements as at and for the six month period ended 30 June 2017 should be read together with the consolidated financial statements for the year ended 31 December 2016.

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

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 have been determined based on the reports reviewed by the steering committee that make strategic decisions.

Group management believes that risk and rewards of the Group is strictly related with the changes in automotive sector and determined the Group's primary segments according to product types. Group's operating activities include importing, marketing and selling passenger and commercial vehicles, spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti, Scania, Scania Engines industrial and marine engine and Thermoking climate control systems) and used car operations in Turkey through its dealer network under the brand name "DOD". Group's operating segments are identified based on the product groups. Considering the nature of the products, operating segments are identified as passenger vehicles commercial vehicles and other segments. Other segments comprise 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 condensed consolidated interim 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 six and three month periods ended 30 June 2017 and 2016 are as follows:

For the six month period ended 30 June 2017	**Passenger segment**	**Commercial segment**	**Other segments**	**Total**
Revenue from external customers	3,708,780	938,203	568,276	5,215,259
Cost of sales	(3,437,179)	(846,867)	(392,495)	(4,676,541)
Gross profit	**271,601**	**91,336**	**175,781**	**538,718**
General administration expenses	(59,437)	(12,131)	(134,339)	(205,907)
Marketing expenses	(100,373)	(39,121)	(53,576)	(193,070)
Other income from operating activities, net	8,274	795	12,389	21,458
Operating income	**120,065**	**40,879**	**255**	**161,199**

For the six month period ended 30 June 2016	**Passenger segment**	**Commercial segment**	**Other segments**	**Total**
Revenue from external customers	3,679,673	1,152,839	527,312	5,359,824
Cost of sales	(3,383,577)	(1,043,211)	(376,716)	(4,803,504)
Gross profit	**296,096**	**109,628**	**150,596**	**556,320**
General administration expenses	(62,578)	(15,059)	(116,226)	(193,863)
Marketing expenses	(110,426)	(43,864)	(39,655)	(193,945)
Other income from operating activities, net	8,645	1,363	(1,580)	8,428
Operating income	**131,737**	**52,068**	**(6,865)**	**176,940**

For the three month period ended 30 June 2017	**Passenger segment**	**Commercial segment**	**Other Segments**	**Total**
Revenue from external customers	2,279,007	563,277	288,090	3,130,374
Cost of sales	(2,116,455)	(507,864)	(200,397)	(2,824,716)
Gross profit	**162,552**	**55,413**	**87,693**	**305,658**
General administration expenses	(25,123)	(6,039)	(74,326)	(105,488)
Marketing expenses	(55,853)	(23,471)	(31,002)	(110,326)
Other income from operating activities, net	(3,552)	(757)	406	(3,903)
Operating income	**78,024**	**25,146**	**(17,229)**	**85,941**

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

NOTE 4 – OPERATING SEGMENTS (Continued)

For the three month period ended 30 June 2016	**Passenger segment**	**Commercial segment**	**Other Segments**	**Total**
Revenue from external customers	2,260,706	574,182	272,491	3,107,379
Cost of sales	(2,088,071)	(520,549)	(195,648)	(2,804,268)
Gross profit	**172,635**	**53,633**	**76,843**	**303,111**
General administration expenses	(33,617)	(6,177)	(66,716)	(106,510)
Marketing expenses	(61,839)	(22,663)	(20,880)	(105,382)
Other income from operating activities, net	2,806	12	(2,023)	795
Operating income	**79,985**	**24,805**	**(12,776)**	**92,014**

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:

	For the six month period ended 30 June 2017	**For the six month period ended 30 June 2016**
Operating profit for reportable segments	161,199	176,940
Provision for legal exposures	(718)	(1,716)
Provision for employee termination benefits	1,035	3,331
Provision for unused vacation	(571)	(444)
Provision for diminution in value of inventories	(957)	(1,227)
Warranty provision expense	7,696	(770)
Depreciation and amortization	10,436	2,749
Share of profit of equity accounted investees	45,454	56,368
Income from investment activities	17,497	16,860
Finance expense, net	(166,626)	(124,291)
Other	(4)	4
Profit before tax	**74,441**	**127,804**

	For the three month period ended 30 June 2017	**For the three month period ended 30 June 2016**
Operating profit for reportable segments	85,941	92,014
Provision for legal exposures	1,820	(1,554)
Provision for employee termination benefits	2,246	2,161
Provision for unused vacation	(495)	(439)
Provision for diminution in value of inventories	(496)	(793)
Warranty provision expense	(173)	412
Depreciation and amortization	8,788	2,542
Share of profit of equity accounted investees	25,141	35,817
Income from investment activities	11,993	11,185
Finance expense, net	(86,799)	(70,043)
Other	(3,732)	4
Profit before tax	**44,234**	**71,306**

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NOTE 5 – CASH AND CASH EQUIVALENTS

As at 30 June 2017 and 31 December 2016, cash and cash equivalents comprise the following:

	30 June 2017	**31 December 2016**
Cash on hand	232	662
Cash at banks	74,040	88,436
- Demand deposits	33,916	33,080
- Time deposits	4,000	19,000
- Credit card receivables	36,124	36,356
Total	**74,272**	**89,098**

As at 30 June 2017, average effective interest rate on TL denominated time deposits is 6.75% (31 December 2016: 6.75%). As at 30 June 2017, maturity of time deposits is 3 days (31 December 2016: 1 day).

There is no blocked deposit as at 30 June 2017 and 31 December 2016.

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 30 June 2017 and 31 December 2016, available-for-sale financial assets comprise of the following:

	30 June 2017		**31 December 2016**	
	Ownership interest (%)	**Carrying amount**	**Ownership interest (%)**	**Carrying amount**
Doğuş Holding A.Ş. ("Doğuş Holding")	3.75	553,463	3.75	550,350
		553,463		**550,350**

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

	2017	**2016**
Balance at 1 January	550,350	511,815
Change in fair value of available-for-sale financial assets	3,113	3,622
Total	**553,463**	**515,437**

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NOTE 7 – BORROWINGS

As at 30 June 2017 and 31 December 2016, financial liabilities comprise the following:

	30 June 2017		31 December 2016	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Short-term bank borrowings:				
TL denominated interest bearing borrowings	12.20%-15.75%	2,445,274	10.30%-14.55%	2,367,254
TL denominated non-interest bearing borrowings (*)	-	55,568	-	40,070
CHF denominated borrowings	1.95%-2.75%	68,117	2.00%-2.20%	38,760
Short-term bank liabilities:		**2,568,959**		**2,446,084**
Short-term portion of long-term borrowings:				
CHF denominated borrowings	3.6%	390	3.43%–4.30%	2,124
TL denominated borrowings	TRLIBOR+1.75%	6,836	TRLIBOR+1.75%	6,864
TL denominated borrowings	-	-	11.20% - 11.85%	270,448
USD denominated borrowings	-	-	LIBOR+1.95%	4,743
Short-term portion of long-term liabilities:		**7,226**		**284,179**

	30 June 2017		31 December 2016	
	Interest rate	**Amount**	**Interest rate**	**Amount**
Long-term bank borrowings:				
CHF denominated borrowings	3.6%	10,529	3.43%–4.30%	24,839
TL denominated borrowings	-	-	TRLIBOR+1.75%	3,333
Total long-term financial liabilities		**10,529**		**28,172**

(*) As at 30 June 2017, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 55,568 thousand, which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2016: TL 40,070 thousand).

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NOTE 7 – BORROWINGS (Continued)

As at 30 June 2017, the repayment schedule of long-term bank borrowings including their short-term portions is as follows:

Payment period	Original amount (TL thousand)	Original amount (CHF thousand)	TL equivalent
2017	3,655	54	3,852
2018	3,181	105	3,565
2019	-	102	374
2020 and onwards	-	2,728	9,964
Total	**6,836**	**2,989**	**17,755**

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

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

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

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

8.1 Trade Receivables

Guarantees received for trade receivables due from non-related parties

Significant portion of the other trade receivables is comprised of receivables from the dealers and fleet customers. The Group's management established an effective control system over the dealers and monitors the credit risk of the dealers arising from the transactions. The Group requests letters of guarantee for vehicle and spare parts sales from customers. TL 124,426 thousand of other trade receivables are covered via letters of guarantee (31 December 2016: TL 116,230 thousand).

As at 30 June 2017, overdue trade receivables due from non-related parties that are not impaired amount to TL 16,088 thousand (31 December 2016: TL 54 thousand). TL 12,880 thousand of such overdue receivables are covered via guarantee letters (31 December 2016: None of such overdue receivables are covered via guarantee letters).

As at 30 June 2017, other trade receivables which has not been billed yet is amounting to TL 57,114 thousand (31 December 2016: TL 85,176 thousand).

As at 30 June 2017, the Group's average maturity of trade receivables due from third parties is 36 days (31 December 2016: 37 days).

Credit and foreign currency exposure of trade receivables are presented under Note 24.

8.2 Trade Payables

As at 30 June 2017 and 31 December 2016, other trade payables consist of the following:

	30 June 2017	31 December 2016
Payables to OEM companies	718,627	564,990
Other trade payables	49,948	57,634
Payables to dealers (*)	59,979	107,439
Dealer premium accrual (*)	13,189	-
Other expense accrual	-	1,425
Total	**841,743**	**731,488**

OEM's provide a credit option to the Group up to 1 year, which is free from interest for 10 days. The OEM's charge the Group an interest of 1% per annum for trade payables not settled within 10 days (31 December 2016: 1% per annum).

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

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NOTE 9 – OTHER RECEIVABLES

As at 30 June 2017 and 31 December 2016, other receivables comprise of the following:

	30 June 2017	31 December 2016
Warranty claims and price difference receivables (*)	38,557	78,338
Receivables due to insurance claims	8,579	8,971
Other	3,952	8,431
Total	**51,088**	**95,740**

(*) 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 30 June 2017, other receivables which has not been billed yet is amounting to TL 1,791 thousand (31 December 2016: TL 4,551 thousand).

NOTE 10 – INVENTORIES

As at 30 June 2017 and 31 December 2016, inventories comprise of the following:

	30 June 2017	31 December 2016
Goods in transit (*)	737,080	675,030
Merchandise stocks – vehicles	789,635	835,634
Merchandise stocks – spare parts	153,205	145,046
	1,679,920	**1,655,710**
Provision for diminution in the value of inventories, net (-)	(5,707)	(4,750)
Total	**1,674,213**	**1,650,960**

(*) 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 4,626,326 thousand for the six month period ended 30 June 2017 (30 June 2016: TL 4,760,885 thousand).

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

	2017	2016
Balance at 1 January	4,750	3,909
Additions in the current period	957	1,227
Balance at 30 June	**5,707**	**5,136**

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NOTE 11 – INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As at 30 June 2017 and 31 December 2016, investment in associates, joint ventures and the Group's share of control are as follows:

	30 June 2017		31 December 2016	
	Ownership %	Carrying amount	Ownership %	Carrying amount
Associates				
VDF	48	146,462	48	125,950
Doğuş Sigorta	42	34,227	42	35,273
Yüce Auto	50	18,171	50	21,919
VDF Servis	38.22	53,421	38.22	47,546
Doğuş Teknoloji	46	9,424	46	6,179
Total		**261,705**		**236,867**
Joint ventures				
TÜVTURK Kuzey – Güney	33.33	53,210	33.33	60,265
Meiller-Doğuş (*)	49	3,021	49	8,854
Total		**56,231**		**69,119**
Grand total		**317,936**		**305,986**

(*) The distributorship agreement between the Group and F. X. Meiller Fahrzeug- und Maschinenfabrik-GmbH & Co KG has been terminated and the legal process for the capital reduction of Meiller Doğuş Damper Sanayi ve Ticaret Limited Şirketi has been completed.

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

	2017	2016
Balance at 1 January	**305,986**	**239,010**
Shares in profits of associates and joint ventures, net	45,454	56,368
Change in fair value of available-for-sale financial assets held by associates	186	216
Dividend income from associates	(32,056)	(35,418)
Participation in capital increase of associates and joint ventures	4,255	1,380
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures	(5,880)	-
Deferred tax effect in relation to change in fair value of available-for-sale financial assets held by associates	(9)	(10)
Balance at 30 June	**317,936**	**261,546**

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

As at 30 June 2017, 31 December 2016 and 30 June 2016, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	30 June 2017						30 June 2017		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Associates	8,440,219	313,091	8,753,310	8,157,192	12,887	8,170,079	1,078,684	(1,013,565)	65,119
Joint ventures	108,611	825,383	933,994	221,885	551,998	773,883	820,419	(767,258)	53,161

	31 December 2016						30 June 2016		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Associates	8,770,868	242,663	9,013,531	8,476,145	9,325	8,485,470	1,139,263	(1,050,715)	88,548
Joint ventures	229,989	803,460	1,033,449	231,998	613,819	845,817	763,884	(711,688)	52,196

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

As at 30 June 2017, 31 December 2016 and 30 June 2016, cash and cash equivalents, current and non-current liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	30 June 2017			30 June 2017		
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortisation and depreciation expenses**	**Interest income**	**Interest expense**
Associates	1,123,008	7,655,315	4,969	(15,994)	9,420	(7,560)
Joint ventures	14,997	53,240	42,537	(6,945)	7,442	(8,725)

	31 December 2016			30 June 2016		
	Cash and cash equivalents	**Short-term financial liabilities**	**Long-term financial liabilities**	**Amortisation and depreciation expenses**	**Interest income**	**Interest expense**
Associates	1,127,215	8,075,741	3,342	(12,019)	7,186	(4,502)
Joint ventures	128,649	62,188	90,296	(6,686)	10,038	(11,980)

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The movements in property and equipment and related accumulated depreciation for the six month period ended 30 June 2017 are as follows:

	1 January 2017	Additions	Disposals	Transfers	Foreign currency translation difference	30 June 2017
Cost:						
Land	202,200	125,756	-	-	430	328,386
Land improvements	16,951	-	(191)	634	-	17,394
Buildings	355,931	65,084	-	-	3,878	424,893
Machinery and equipments	68,459	2,521	(2,468)	12	725	69,249
Motor vehicles	157,292	23,630	(48,053)	-	999	133,868
Furniture and fixtures	63,842	2,413	(2,911)	1,418	(4)	64,758
Leasehold improvements	90,767	-	(2,284)	1,370	(59)	89,794
Constructions in progress	15,393	18,666	-	(3,536)	-	30,523
	970,835	**238,070**	**(55,907)**	**(102)**	**5,969**	**1,158,865**
Accumulated depreciation:						
Land improvements	(11,605)	(316)	7	-	-	(11,914)
Buildings	(42,448)	(4,861)	-	-	(556)	(47,865)
Machinery and equipments	(33,818)	(3,059)	2,145	-	(526)	(35,258)
Motor vehicles	(35,322)	(15,330)	13,951	-	(151)	(36,852)
Furniture and fixtures	(32,355)	(4,217)	2,551	-	7	(34,014)
Leasehold improvements	(34,322)	(3,151)	2,245	-	28	(35,200)
	(189,870)	**(30,934)**	**20,899**	**-**	**(1,198)**	**(201,103)**
Carrying amount	**780,965**					**957,762**

Total depreciation expense amounting to TL 30,934 thousand has been allocated to general administrative expenses in the condensed consolidated profit or loss statement for the six month period ended 30 June 2017 (30 June 2016: TL 23,269 thousand).

As at 30 June 2017 there is a lien on land owned by the Group amounting to TL 70,000 thousand and a lien on buildings have been discharged. (31 December 2016: TL 70,000 thousand and USD 21,500 thousand equivalent to TL 75,663 thousand).

As at 30 June 2017, borrowing cost amounting to TL 30,380 thousand is capitalized on property and equipments (31 December 2016: TL 29,828 thousand).

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NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property and equipment and related accumulated depreciation for the six month period ended 30 June 2016 are as follows:

	1 January 2016	Additions	Disposals	Transfers	Foreign currency translation difference	30 June 2016
Cost:						
Land	189,552	1,029	-	-	34	190,615
Land improvements	18,791	34	-	-	-	18,825
Buildings	238,904	23	-	-	284	239,211
Machinery and equipments	48,288	11,658	(33)	27	36	59,976
Motor vehicles	124,904	45,101	(36,674)	-	29	133,360
Furniture and fixtures	46,346	5,184	(208)	1,899	(6)	53,215
Leasehold improvements	70,785	171	(2,218)	10,323	(105)	78,956
Constructions in progress	88,519	35,319	-	(12,249)	13	111,602
	826,089	**98,519**	**(39,133)**	**-**	**285**	**885,760**
Accumulated depreciation:						
Land improvements	(11,196)	(249)	-	-	-	(11,445)
Buildings	(35,546)	(2,487)	-	-	(32)	(38,065)
Machinery and equipments	(28,239)	(2,278)	24	-	(36)	(30,529)
Motor vehicles	(29,310)	(12,932)	13,388	-	(9)	(28,863)
Furniture and fixtures	(26,378)	(2,972)	196	-	3	(29,151)
Leasehold improvements	(31,377)	(2,351)	2,162	-	(1)	(31,567)
	(162,046)	**(23,269)**	**15,770**	**-**	**(75)**	**(169,620)**
Carrying amount	**664,043**					**716,140**

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NOTE 13 – INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the six months period ended 30 June 2017 and 2016 are as follows:

	1 January – 30 June 2017	**1 January – 30 June 2016**
Cost:		
1 January	20,670	20,670
Additions	-	-
30 June	**20,670**	**20,670**
Accumulated depreciation		
1 January	(861)	(448)
Depreciation	(207)	(206)
30 June	**(1,068)**	**(654)**
Net book value as of 1 January	**19,809**	**20,222**
Net book value as of 30 June	**19,602**	**20,016**

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

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

The fair value of the investment property has been determined by a CMB licensed property appraiser company in October 2016. As of 30 June 2017, the fair value of the building amounts to TL 28,500 thousand and there is no impairment indicator as of 30 June 2017.

The useful life of the building that is classified as investment property is 50 years. The Group has recognized TL 578 thousand rent income from the related investment property (30 June 2016 : TL 550 thousand).

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NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of short-term provisions as at 30 June 2017 and 31 December 2016 is presented below:

	30 June 2017	31 December 2016
Warranty provisions	36,148	43,843
Legal provisions	18,683	17,967
Total	**54,831**	**61,810**

14.2 Letter of Guarantees Given, Pledges and Mortgages

As at 30 June 2017 the Group's position related to letters of guarantee given, pledges and mortgages ("GPM") are as follows:

	30 June 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	1,496,694	136,199,465	-	335,306,625	5,000,000
B. Total amount of GPM given in favor of partnerships which is consolidated	88,359	-	-	2,000,000	22,000,000
C. Total amount of GPM given for assurance of third parties debts in order to conduct of usual business activities	-	-	-	-	-
D. Total amount of other GPM					
i. Total amount of GPM given in favor of parent company	-	-	-	-	-
ii. The amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of GPM given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total GPM	**1,585,053**	**136,199,465**	**-**	**337,306,625**	**27,000,000**

Other GPMs given by the Group as at 30 June 2017 are equivalent to 0% of the Company's equity (31 December 2016: 0%).

GPM amounting to TL 88,359 thousand (31 December 2016: TL 75,799 thousand) given in favor of companies which are consolidated is related to general loan agreements. As at 30 June 2017, GPM amounting TL 9,284 thousand of such GPMs have not been utilized (GPM amounting TL 10,076 thousand were not utilized as at 31 December 2016).

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

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

14.3 Letter of Guarantees and Sureties Received

Letter of Guarantees Received

	30 June 2017	31 December 2016
Letter of guarantees received from fleet customers	110,745	88,891
Letters of guarantees received from fixed asset and service suppliers	54,404	51,442
Letters of guarantees received from dealers	26,922	23,887
Total	**192,071**	**164,220**

As at 30 June 2017, TL 10,332 thousand out of the total of TL 192,071 thousand of the letters of guarantee received, were given by the Group's related party Türkiye Garanti Bankası A.Ş. ("Garanti Bankası") (31 December 2016: TL 4,039 thousand out of the total of TL 164,220 thousand).

14.4 Operating Leases

	30 June 2017	31 December 2016
2017	36,739	39,859
2018	28,671	19,831
2019 and onwards	66,740	56,985
Total	**132,150**	**116,675**

The operational lease liability amounting to TL 17,781 thousand is related to operational lease contracts signed with Group's related parties (31 December 2016: TL 17,527 thousand).

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NOTE 15 – PREPAYMENTS / DEFERRED INCOME

15.1 Short-Term Prepayments

As at 30 June 2017 and 31 December 2016, short-term prepayments comprise of the following:

	30 June 2017	31 December 2016
Prepaid expenses	69,566	18,303
Advances given	6,195	3,652
Total	**75,761**	**21,955**

15.2 Long-Term Prepayments

As at 30 June 2017 and 31 December 2016, long-term prepayments comprise of the following:

	30 June 2017	31 December 2016
Advances given for property and equipment purchases	9,835	14,684
Prepaid expenses	3,488	5,437
Total	**13,323**	**20,121**

15.3 Deferred Income

As at 30 June 2017 deferred income comprise of the advances received from customers amounting to TL 15,100 thousand (31 December 2016: TL 15,855 thousand), credit notes received from OEM amounting to TL 4,990 thousand (31 December 2016: TL 6,376 thousand), and other deferred income amounting to TL 12,246 thousand (31 December 2016: TL 7,008 thousand).

NOTE 16 – OTHER CURRENT LIABILITIES

As at 30 June 2017 and 31 December 2016, other current liabilities comprise of the following:

	30 June 2017	31 December 2016
VAT payable	34,759	65,184
Expense accruals	3,439	2,418
Total	**38,198**	**67,602**

NOTE 17 – EQUITY

Issued Capital

As at 30 June 2017, the registered capital of the Company is TL 220,000 thousand (31 December 2016: TL 220,000 thousand). The paid-in share capital of the Company comprises of 220.000.000 units of registered shares with a nominal value of TL 1 each. There is no different type of share and no privilege given to specific shareholders. The Company's registered authorized capital ceiling is TL 660,000 thousand.

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NOTE 17 – EQUITY (Continued)

Issued Capital (Continued)

As at 30 June 2017 and 31 December 2016, the composition of the Company's shareholding structure is as follows:

	30 June 2017		31 December 2016	
Shareholders	**TL**	**Shareholding (%)**	**TL**	**Shareholding (%)**
Doğuş Holding	77,462	35.21	77,462	35.21
Publicly held (*)	75,900	34.50	75,900	34.50
Doğuş Araştırma Geliştirme ve Müşavirlik A.Ş.	66,638	30.29	66,638	30.29
Paid-in capital	**220,000**	**100.00**	**220,000**	**100.00**
Inflation adjustment difference	23,115		23,115	
Total	**243,115**		**243,115**	

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

Restricted reserves appropriated from profits

The breakdown of restricted reserves is presented below:

	30 June 2017	31 December 2016
Legal reserves	156,314	156,314
Treasury share reserves	220,274	220,274
Special reserves	69,695	69,695
Total	**446,283**	**446,283**

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 30 June 2017, the legal reserves of the Group amounted to TL 156,314 thousand (31 December 2016: TL 156,314 thousand).

The 75% portion of gains amounting to TL 19,981 thousand and TL 49,256 thousand arising from the sale of participation share on joint venture and associates on 6 September 2013 and 16 February 2015 respectively recognised in statutory financial statements has been reclassified as "special reserves". As at 30 June 2017, the special reserves of the Group amounted to TL 69,695 thousand (31 December 2016: TL 69,695 thousand).

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 thousand 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 recorded within these accounts by the beginning of 1 January 2012 in accordance with the announcement made by CMB regarding financial statements and disclosure templates stated at "Principles of Financial Reporting in Capital Market'' which is dated 13 June 2013 and published in the Official Gazette numbered 28676 Series:II, No.14.1.

Retained earnings / (Accumulated losses)

Accumulated profits other than net current year profit and extraordinary reserves are classified under retained earnings. As at 30 June 2017, retained earnings are TL 177,131 thousand (31 December 2016: TL 60,557 thousand accumulated losses).

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 30 June 2017, gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets of the Group amounted to TL 472,799 thousand (31 December 2016: TL 469,664 thousand).

Foreign currency translation differences

Foreign currency translation differences comprise the foreign currency exchange rate differences arising from the translation of the financial statements on foreign currencies from functional currency to the presentation currency of the Group. As at 30 June 2017, the foreign currency translation differences of the Group amounted to 7,516 thousand (31 December 2016: TL 5,808 thousand).

Dividend

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

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

In the General Assembly Meeting which was held on 29 March 2017, it was decided to retain 2016 year's profit within the Company.

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "non-controlling interests" in the condensed consolidated interim financial statements. As at 30 June 2017 and 31 December 2016, the related amounts in the "non-controlling interests" account in the condensed consolidated interim financial statements are TL 4,542 thousand and TL 4,622 thousand respectively. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "non-controlling interests" in the condensed consolidated interim profit or loss statement.

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

NOTE 18 – MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the six and three month periods ended 30 June is presented below:

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
General administrative expenses	195,725	194,954	96,860	106,126
Marketing expenses	185,374	189,704	110,499	102,644
Total	**381,099**	**384,658**	**207,359**	**208,770**

18.1 Marketing Expenses

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

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Distribution expenses	51,351	48,561	29,105	25,882
Advertising expenses	44,844	46,912	29,267	24,059
Personnel expenses	40,711	33,916	22,930	19,743
Warranty expenses, net	32,597	37,840	21,850	19,118
Rent expenses	5,968	7,880	2,516	4,171
Support expenses	5,473	10,042	2,610	7,393
Customer service expenses	4,430	4,553	2,221	2,278
Total	**185,374**	**189,704**	**110,499**	**102,644**

18.2 General Administrative Expenses

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

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Personnel expenses	93,420	90,491	48,811	47,542
Depreciation and amortization expenses	39,641	30,291	18,817	15,597
Building expenses	15,449	14,256	7,156	6,824
Maintenance expenses	8,191	7,882	4,140	4,212
Rent expenses	7,456	7,868	3,911	4,004
Consultancy expenses	6,030	5,475	3,066	2,688
Vehicle expenses	5,625	5,009	2,864	2,395
Insurance expenses	3,622	3,014	1,545	1,584
Traveling expenses	3,134	3,893	1,226	1,725
Corporate governance expenses	2,659	5,575	1,454	3,298
Communication expenses	1,518	1,535	657	791
Donation expenses	1,054	10,496	1,047	10,450
Other	7,926	9,169	2,166	5,016
Total	**195,725**	**194,954**	**96,860**	**106,126**

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

NOTE 19 – INVESTMENT ACTIVITY INCOME

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

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Gain on sale of property and equipment	8,570	7,601	3,066	1,926
Dividend income	8,927	9,259	8,927	9,259
Total	**17,497**	**16,860**	**11,993**	**11,185**

NOTE 20 – FINANCE EXPENSES

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

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Interest expense on borrowings	160,399	121,918	81,431	68,428
Commission expenses on letters of guarantee	3,507	1,637	2,665	888
Foreign exchange losses on borrowings, net	86	28	86	28
Other	2,634	708	2,617	699
Total	**166,626**	**124,291**	**86,799**	**70,043**

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

The Corporate Tax Law was amended by Law No.5520 dated 13 September 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. As at 30 June 2017, corporation tax is payable at a rate of 20% (31 December 2016: 20%) on the total income of the Company and its subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

As at 30 June 2017, enacted corporation tax rate is 22.8% for the subsidiary registered in Switzerland according to local tax law (31 December 2016: 22.8%). According to Swiss tax laws, losses can be carried forward for offsetting against future taxable income for up to 7 years.

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

NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

As at 30 June 2017, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2016: 15%). According to Iraqi tax laws, losses can be carried forward for offsetting against future taxable income for up to 5 years.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid during the year is offset against the annual corporation tax payable, which is calculated over the corporate tax return declared in the following year. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. Dividend income of a resident arising from the investments in another resident is not subject to corporate tax. (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 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 six and three month periods ended 30 June, taxation charge comprise of the following:

	For the six month period ended 30 June 2017	**For the six month period ended 30 June 2016**	**For the three month period ended 30 June 2017**	**For the three month period ended 30 June 2016**
Deferred tax income/(expense)	707	4,458	(6,698)	(7,001)
Current tax expense	(5,489)	(19,093)	4,205	1,652
Total tax expense	**(4,782)**	**(14,635)**	**(2,493)**	**(5,349)**

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

NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

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:

		For the six month period ended 30 June 2017		**For the six month period ended 30 June 2016**
Profit before tax		74,441		127,804
Income tax using the Company's domestic tax rate	(20%)	(14,888)	(20%)	(25,561)
Disallowable expenses	(1%)	(468)	(1%)	(1,010)
Share of profit in equity accounted investees exempt from deferred tax calculation	12%	9,091	9%	11,274
Tax exempt income	2%	1,771	1%	1,864
Other	-	(288)	(1%)	(1,202)
Total tax expense		**(4,782)**		**(14,635)**

		For the three month period ended 30 June 2017		**For the three month period ended 30 June 2016**
Profit before tax		44,234		71,306
Income tax using the Company's domestic tax rate	(20%)	(8,847)	(20%)	(14,261)
Disallowable expenses	-	123	(1%)	(448)
Share of profit in equity accounted investees exempt from deferred tax calculation	11%	5,029	10%	7,163
Tax exempt income	4%	1,771	3%	1,864
Other	-	(569)	-	333
Total tax expense		**(2,493)**		**(5,349)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB 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 CMB Financial Reporting Standards and tax purposes. Tax rate is 20% for deferred tax assets and liabilities on temporary differences (31 December 2016: 20%).

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

NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes

As at 30 June 2017 and 31 December 2016, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax Liabilities		Net deferred tax assets/(liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Fair value change of available-for-sale financial assets	-	-	(21,167)	(21,012)	(21,167)	(21,012)
Land	-	-	(1,393)	(1,270)	(1,393)	(1,270)
Carry forward tax losses	8,398	7,485	-	-	8,398	7,485
Other tangible and intangible assets	255	1,848	-	-	255	1,848
Warranty provision, net	7,229	8,769	-	-	7,229	8,769
Legal provision	3,736	3,594	-	-	3,736	3,594
Provision for diminution in value of inventories	1,142	950	-	-	1,142	950
Employee termination benefit	4,574	2,972	-	-	4,574	2,972
Unused vacation liability	1,348	1,234	-	-	1,348	1,234
Dealer premium accrual	2,638	-	-	-	2,638	-
Other	6	43	-	-	6	43
Total deferred tax asset/(liabilities)	29,326	26,895	(22,560)	(22,282)	6,766	4,613
Net off tax	(21,069)	(19,410)	21,069	19,410	-	-
Total deferred tax assets/(liabilities)	**8,257**	**7,485**	**(1,491)**	**(2,872)**	**6,766**	**4,613**

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 30 June 2017 are as follows:

	1 January 2017	Recognized in the profit or loss	Recognized in other comprehensive income	30 June 2017
Fair value change of available-for-sale financial assets	(21,012)	-	(155)	(21,167)
Land	(1,270)	(123)	-	(1,393)
Carry forward tax losses	7,485	913	-	8,398
Other tangible and intangible assets	1,848	(1,593)	-	255
Warranty provision, net	8,769	(1,540)	-	7,229
Legal provision	3,594	142	-	3,736
Provision for diminution in value of inventories	950	192	-	1,142
Employee termination benefit	2,972	1	1,601	4,574
Unused vacation liability	1,234	114	-	1,348
Dealer premium accrual	-	2,638	-	2,638
Other	43	(37)	-	6
	4,613	**707**	**1,446**	**6,766**

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

NOTE 21 – TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 30 June 2016 are as follows:

	1 January 2016	Recognized in the profit or loss	Recognized in other comprehensive income	30 June 2016
Fair value change of available-for-sale financial assets	(19,086)	-	(182)	(19,268)
Lands	(1,270)	-	-	(1,270)
Carry forward tax losses	5,577	673	-	6,250
Other tangible and intangible assets	2,546	(396)	-	2,150
Warranty provision, net	7,123	154	-	7,277
Legal provision, net	2,834	344	-	3,178
Provision for diminution in value of inventories	782	245	-	1,027
Employee termination benefit	2,787	36	(83)	2,740
Unused vacation liability	1,039	88	-	1,127
Dealer premium accrual	-	3,644	-	3,644
Other	705	(330)	-	375
	3,037	**4,458**	**(265)**	**7,230**

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

As at 30 June 2017 and 31 December 2016, financial losses carried forward comprise of the following:

	30 June 2017	31 December 2016
2017	-	1,852
2018	7,314	7,314
2019	5,101	5,101
2020	5,988	5,988
2021	2,881	2,881
2022	2,019	1,325
2023	8,362	8,362
2024	5,249	-
	36,914	**32,823**

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 six and three month periods ended 30 June, earnings per share are calculated as follows:

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Net profit attributable to the equity holders of the Company	69,739	112,969	41,451	65,844
Number of basic shares	214,173,982	220,000,000	214,173,982	220,000,000
Basic/diluted earnings per share (in full TL)	**0.3256**	**0.5135**	**0.1935**	**0.2993**

(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

23.1 Cash and Cash Equivalents

As at 30 June 2017 and 31 December 2016, Group's cash balances at related party banks are as follows:

	30 June 2017	31 December 2016
Garanti Bankası – credit card receivables	19,504	16,920
Garanti Bankası – demand deposits	11,558	21,752
Garanti Bankası – time deposits	4,000	19,000
Total	**35,062**	**57,672**

As at 30 June 2017, effective interest rate on TL denominated time deposits at Garanti Bankası is 6.75% (31 December 2016: 6.75%). As at 30 June 2017, maturity of time deposits is 3 days (31 December 2016: 1 day).

23.2 Borrowings

As at 30 June 2017 and 31 December 2016, Group's financial borrowings used from related parties are as follows;

	30 June 2017	31 December 2016
Garanti Bankası	241,114	205,491
Garanti Bank International NV.	21,914	18,088
Total	**263,028**	**223,579**

As at 30 June 2017, effective interest rate on TL denominated current borrowings at Garanti Bankası is between 13.2%-15.16% (31 December 2016: between 13.2% -14.5%) and CHF denominated current borrowings at Garanti Bank International NV. is 2% (31 December 2016: 2%).

23.3 Trade receivables due from related parties

As at 30 June 2017 and 31 December 2016, receivables from and payables to related parties comprise the following:

23.3.1 Trade receivables due from associates

	30 June 2017	31 December 2016
VDF	80	1,238
Yüce Auto	-	887
Doğuş Teknoloji	-	29
Other	3	3
Total	**83**	**2,157**

(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)

23.3 Trade receivables due from related parties (Continued)

23.3.2 Trade receivables due from joint ventures

	30 June 2017	31 December 2016
TÜVTURK	7	7
Total	**7**	**7**

23.3.3 Trade receivables due from other related parties

	30 June 2017	31 December 2016
VDF Faktoring Hizmetleri A.Ş. (“VDF Faktoring”)	647,844	723,684
VDF Sigorta Aracılık Hizmetleri A.Ş.	745	724
Garanti Filo Yönetim Hizmetleri A.Ş. (“Garanti Filo Yönetim”)	201	55,395
VDF Filo Kiralama A.Ş.	9	17,303
Other	29	100
Total	**648,828**	**797,206**

23.3.4 Trade receivables due from shareholders

	30 June 2017	31 December 2016
Doğuş Holding	-	1
Total	**-**	**1**
Grand total	**648,918**	**799,371**

As at 30 June 2017, the Group charges monthly 1% overdue interest to related parties (31 December 2016: 1% per month).

23.4 Other receivables due from related parties

	30 June 2017	31 December 2016
Meiller-Doğuş	-	22
Total	**-**	**22**

(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)

23.5 Current prepayments due from related parties

23.5.1 Current prepaid expenses

	30 June 2017	31 December 2016
Pozitif Arena Salon İşletmeleri A.Ş.	1,333	2,891
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	1,036	324
VDF Sigorta Aracılık Hizmetleri A.Ş.	81	184
Doğuş Holding A.Ş	46	29
Other	1,103	136
Total	**3,599**	**3,564**

23.5.2 Advances given

	30 June 2017	31 December 2016
Antur Turizm A.Ş	56	434
Total	**56**	**434**
Grand total	**3.655**	**3,998**

23.6 Non-current prepayments due from related parties

23.6.1 Non-current prepaid expenses

	30 June 2017	31 December 2016
Pozitif Arena Salon İşletmeleri A.Ş.	-	6
Total	**-**	**6**
Grand total	**-**	**6**

(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)

23.7 Due to related parties

23.7.1 Due to associates

	30 June 2017	31 December 2016
Yüce Auto	16,483	28,254
Volkswagen Doğuş Finansman	6,295	2,111
Doğuş Teknoloji	3,022	3,725
Total	**25,800**	**34,090**

23.7.2 Due to other related parties

	30 June 2017	31 December 2016
Antur Turizm A.Ş.	2,256	1,193
Doğuş Enerji Toptan Elektrik Ticaret A.Ş.	541	596
VDF Sigorta Aracılık Hizmetleri A.Ş.	4	133
Doğuş İnşaat ve Ticaret A.Ş.	-	1,000
Doğuş Yayın Grubu A.Ş.	-	158
Other	524	1,012
Total	**3,325**	**4,092**

23.7.3 Due to shareholders

	30 June 2017	31 December 2016
Doğuş Holding	1,168	1,005
Total	**1,168**	**1,005**
Grand total	**30,293**	**39,187**

23.8 Current deferred income from related parties

	30 June 2017	31 December 2016
D-Otel Marmaris	107	-
Pozitif Arena Konser Salon İşletmeleri A.Ş.	-	63
Total	**107**	**63**

23.9 Non-current deferred income from related parties

	30 June 2017	31 December 2016
Pozitif Arena Konser Salon İşletmeleri A.Ş.	-	6
Total	**-**	**6**

(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)

23.10 Related Party Transactions

Related party transactions for the six and three month periods ended 30 June are as follows:

23.10.1 Associates

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Sales and other income generating transactions:				
Sale of products and returns, net	2,592	4,646	1,572	2,694
Other income	10,257	11,843	5,566	6,703
Sale of services, net	103	210	60	89
Total	**12,952**	**16,699**	**7,198**	**9,486**
Purchases and expense incurring transactions:				
Inventory purchases	86,721	101,495	61,417	66,460
Incentives for consumer loans	24,922	23,702	17,871	15,885
Fixed asset purchases	10,744	8,276	5,635	4,275
Other purchases	11,111	7,640	6,219	3,906
Services rendered	4,883	3,424	2,499	1,672
Other expenses	-	304	-	277
Total	**138,381**	**144,841**	**93,641**	**92,475**

23.10.2 Joint ventures

	For the six month period ended 30 June 2017	For the six month period ended 30 June 2016	For the three month period ended 30 June 2017	For the three month period ended 30 June 2016
Sales and other income generating transactions:				
Sale of products and returns, net	217	72	195	8
Finance income	-	101	-	46
Sale of services, net	8	16	3	4
Total	**225**	**189**	**198**	**58**
Purchases and expense incurring transactions:				
Services rendered	12	9	5	4
Inventory purchases	-	175	-	4
Total	**12**	**184**	**5**	**8**

(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)

23.10 Related Party Transactions (Continued)

23.10.3 Other related parties

a) Income generated from other related parties

	For the six month period ended 30 June 2017			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	67,344	811	-	68,155
VDF Filo	38,283	33	1	38,317
Garanti Finansal Kiralama A.Ş.	192	-	-	192
VDF Faktoring	4	2	-	6
VDF Sigorta	24	11	3,218	3,253
Other	937	76	540	1,553
	106,784	**933**	**3,759**	**111,476**

	For the six month period ended 30 June 2016			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	10,947	831	-	11,778
Garanti Finansal Kiralama A.Ş.	4,402	-	-	4,402
VDF Faktoring	72	2	-	74
VDF Sigorta	84	6	3,548	3,638
Other	587	62	76	725
	16,092	**901**	**3,624**	**20,617**

	For the three month period ended 30 June 2017			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	32,511	366	-	32,877
VDF Filo	27,188	28	1	27,217
Garanti Finansal Kiralama A.Ş.	192	-	-	192
VDF Faktoring	-	1	-	1
VDF Sigorta	11	8	1,772	1,791
Other	666	33	353	1,052
	60,568	**436**	**2,126**	**63,130**

	For the three month period ended 30 June 2016			
	Sale of products	**Sale of services**	**Other income from operating activities**	**Total**
Garanti Filo Yönetim	10,001	433	-	10,434
Garanti Finansal Kiralama A.Ş.	4,315	-	-	4,315
VDF Faktoring	72	1	-	73
VDF Sigorta	81	5	2,155	2,241
Other	350	24	65	439
	14,819	**463**	**2,220**	**17,502**

(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)

23.10 Related Party Transactions (Continued)

23.10.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties

	For the six month period ended 30 June 2016						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	13,059	-	-	-	64	186	13.309
Doğuş Gayrimenkul Yatırım Ortaklığı	8,515	-	-	-	-	-	8.515
Doğuş Enerji Toptan Elektrik	2,831	-	-	-	-	-	2.831
Garanti Bankası	445	-	-	21,053	5	1.007	22.510
VDF Sigorta	20	-	-	-	480	155	655
Other	3,045	-	-	2,320	10	2.512	7.887
	27,915	**-**	**-**	**23,373**	**559**	**3.860**	**55.707**

	For the six month period ended 30 June 2016						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	23,215	-	-	-	81	5	23,301
Doğuş İnşaat	-	29,843	-	-	-	-	29,843
Doğuş Gayrimenkul Yatırım Ortaklığı	7,502	-	-	-	-	-	7,502
Doğuş Enerji Toptan Elektrik	2,733	-	-	-	-	-	2,733
Garanti Bankası	169	-	-	10,101	-	54	10,324
VDF Sigorta	59	-	-	-	678	1,664	2,401
Other	2,872	200	337	2,320	-	3,494	9,223
	36,550	**30,043**	**337**	**12,421**	**759**	**5,217**	**85,327**

	For the three month period ended 30 June 2017						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	8,255	-	-	-	24	49	8,328
Doğuş Gayrimenkul Yatırım Ortaklığı	4,340	-	-	-	-	-	4,340
Doğuş Enerji Toptan Elektrik	1,274	-	-	-	-	-	1,274
Garanti Bankası	234	-	-	14,340	3	878	15,455
VDF Sigorta	4	-	-	-	171	68	243
Other	1,688	-		1,604	7	1,493	4,792
	15,795	**-**	**-**	**15,944**	**205**	**2,488**	**34,432**

	For the three month period ended 30 June 2016						
	Services rendered	**Purchase of fixed assets**	**Purchase of inventory**	**Finance expenses**	**Other purchases**	**Other expenses from operating activities**	**Total**
Antur Turizm	10,690	-	-	-	-	5	10,695
Doğuş İnşaat	-	20,973	-	-	-	-	20,973
Doğuş Gayrimenkul Yatırım Ortaklığı	3,970	-	-	-	-	-	3,970
Doğuş Enerji Toptan Elektrik	1,262	-	-	-	-	-	1,262
Garanti Bankası	88	-	-	6,258	-	54	6,400
VDF Sigorta	43	-	-	-	376	907	1,326
Other	1,269	-	301	1,492	-	2,803	5,865
	17,322	**20,973**	**301**	**7,750**	**376**	**3,769**	**50,491**

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

23.10 Related Party Transactions (Continued)

23.10.4 Transactions with shareholders

a) Income generated from shareholders

	For the six month period ended 30 June 2017			
	Sale of products	Sale of services	Income from investing activities	Total
Doğuş Holding	194	13	8,927	9,134
	194	**13**	**8,927**	**9,134**

	For the six month period ended 30 June 2016			
	Sale of products	Sale of services	Income from investing activities	Total
Doğuş Holding	12	20	9,259	9,291
	12	**20**	**9,259**	**9,291**

	For the three month period ended 30 June 2017			
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	183	4	8,927	9,114
	183	**4**	**8,927**	**9,114**

	For the three month period ended 30 June 2016			
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	10	16	9,259	9,285
	10	**16**	**9,259**	**9,285**

b) Expenses arising from transactions with shareholders

	For the six month period ended 30 June 2017			
	Services rendered	Purchase of fixed assets	Other expense from operating activities	Total
Doğuş Holding	4,067	186,967	156	191,190
	4,067	**186,967**	**156**	**191,190**

(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)

23.10 Related Party Transactions (Continued)

23.10.4 Transactions with shareholders (Continued)

b) Expenses arising from transactions with shareholders (Continued)

	For the six month period ended 30 June 2016			
	Services rendered	**Purchase of fixed assets**	**Other expense from operating activities**	**Total**
Doğuş Holding	6,430	-	138	6,568
	6,430	**-**	**138**	**6,568**

	For the three month period ended 30 June 2017			
	Services rendered	**Purchase of fixed assets**	**Other expense from operating activities**	**Total**
Doğuş Holding	1,846	-	127	1,973
	1,846	**-**	**127**	**1,973**

	For the three month period ended 30 June 2016			
	Services rendered	**Purchase of fixed assets**	**Other expense from operating activities**	**Total**
Doğuş Holding	4,017	-	44	4,061
	4,017	**-**	**44**	**4,061**

23.11 Key Management Personnel Compensation

	For the six month period ended 30 June 2017	**For the six month period ended 30 June 2016**	**For the three month period ended 30 June 2017**	**For the three month period ended 30 June 2016**
Salaries and other short-term employee benefits	31,692	29,847	16,524	15,554
Total	**31,692**	**29,847**	**16,524**	**15,554**

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 six month periods ended 30 June 2017 and 2016 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 30 June 2017 and 31 December 2016:

	30 June 2017	**31 December 2016**
Total financial liabilities	2,586,714	2,758,435
Cash and cash equivalents	(74,272)	(89,098)
Total financial liabilities, net	**2,512,442**	**2,669,337**
Total equity	1,186,811	1,118,713
Financial liabilities/equity ratio	**2.12**	**2.39**

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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				
30 June 2017	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) (*)	648,918	376,295	-	51,601	74,040	-	-
- Guaranteed portion of the maximum exposure	-	124,426	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	648,918	360,207	-	51,601	74,040	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	-	16,088	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,507	-	-	-	-	-
- Impairment (-)	-	(1,507)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	12,880	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	111,546	-	-	-	-	-
D. Off financial statement items with credit risks (****)	-	-	-	-	-	-	-

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

(**) As at 30 June 2017 and 31 December 2016, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 30 June 2017 and 31 December 2016, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 30 June 2017 and 31 December 2016, 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)

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

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

(**) As at 30 June 2017 and 31 December 2016, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 30 June 2017 and 31 December 2016, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 30 June 2017 and 31 December 2016, 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 30 June 2017 and 31 December 2016, the aging of past due receivables that are not impaired are as follows:

	Receivables		Deposits on banks	Derivative instruments	Other
30 June 2017	**Trade receivables**	**Other receivables**			
Past due 1-30 days	15,635	-	-	-	-
Past due 1-3 months	354	-	-	-	-
Past due 3-12 months	99	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc.	12,880	-	-	-	-

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

(b) Liquidity risk

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

Risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group, in order to minimize liquidity risk, holds adequate cash and available line of credit (including factoring capacity). In this regard, as at 30 June 2017, the Group have lines of credit amounting to Euro 657,852 thousand, USD 388,500 thousand, CHF 5,000 thousand and TL 3,748,772 thousand (31 December 2016: lines of credit amounting to Euro 867,795 thousand, USD 536,167 thousand, CHF 5,000 thousand and TL 4,234,772 thousand). The utilized portions of the aforementioned total credit lines are disclosed in Note 7.

In addition, the Group has a non-cash credit line obtained from underwriting banks amounting to Euro 332,500 thousand and CHF 5,000 thousand equivalent to TL 1,349,260 thousand (31 December 2016: Euro 373,000 thousand and CHF 5,000 thousand equivalent to TL 1,401,020 thousand) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months. The Group’s credit purchase limit based on the letters of guarantee given to the main foreign suppliers of which Euro 158,152 thousand and CHF 4,999 thousand equivalent to TL 651,341 thousand is not used as at 30 June 2017 (31 December 2016: Euro 224,239 thousand and CHF 4,580 thousand equivalent to TL 847,683 thousand).

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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 30 June 2017 and 31 December 2016:

	30 June 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	2,586,714	2,588,524	1,175,455	1,401,078	11,991	-
Trade payables to related parties	30,293	30,293	30,293	-	-	-
Trade payables to third parties	841,743	841,743	204,028	637,715	-	-
Other current liabilities (*)	3,439	3,439	3,439	-	-	-
Total non-derivative financial liabilities	**3,462,189**	**3,463,999**	**1,413,215**	**2,038,793**	**11,991**	**-**

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

(*) Non-financial items such as VAT payable is excluded from other short-term 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 through taking limited positions within limits recommended by executive board and approved by board of directors as well using derivative instruments where necessary.

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

Currency sensitivity analysis		
30 June 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	50	(50)
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)		
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	12,885	(12,885)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)		
TOTAL (3+6)	**12,935**	**(12,935)**

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

Currency sensitivity analysis		
30 June 2016		
	Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL		
1- Net USD asset/liability	(434)	434
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	**(434)**	**434**
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	22,239	(22,239)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	**22,239**	**(22,239)**
TOTAL (3+6)	**21,805**	**(21,805)**

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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, EUR and CHF as at 30 June 2017, 31 December 2016 and 30 June 2016 are as follows:

	30 June 2017	31 December 2016	30 June 2016
USD	3.5071	3.5192	2.8936
EUR	4.0030	3.7099	3.2044
CHF	3.6524	3.4454	2.9440

As at 30 June 2017, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	30 June 2017				
		Original balances			
	Total TL equivalent	USD (thousand)	Euro (thousand)	CHF (thousand)	Other (thousand)
Assets:					
Trade receivables	72,363	2	15,246	3,101	-
Monetary financial assets	8,472	512	863	880	18
Other monetary assets	783,302	349	195,234	151	1
Total assets	**864,137**	**863**	**211,343**	**4,132**	**19**
Trade payables	720,695	142	179,101	891	-
Financial liabilities	68,508	-	-	18,757	-
Other monetary liabilities	6,439	4	53	1,701	-
Current liabilities	**795,642**	**146**	**179,154**	**21,349**	**-**
Financial liabilities	10,530	-	-	2,883	-
Non-current liabilities	**10,530**	**-**	**-**	**2,883**	**-**
Total liabilities	**806,172**	**146**	**179,154**	**24,232**	**-**
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/ asset position	**57,965**	**717**	**32,189**	**(20,100)**	**19**
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	28,651	374	6,830	-	-
Sureties and letters of guarantee given	1,448,854	-	337,307	27,000	-
Import	3,977,519	-	993,635	-	-

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

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

As at 30 June 2017, goods-in-transit of the Group amount to Euro 184,132 thousand equivalent to TL 737,080 thousand (31 December 2016: Euro 181,953 thousand equivalent to TL 675,030 thousand).

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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 30 June 2017, all other variables held constant, the Group's equity would have been increased/decreased by TL 4,582 thousand (31 December 2016: TL 13,114 thousand).

(e) Interest rate risk

As at 30 June 2017, 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 11 thousand (30 June 2016: TL 47 thousand). As at 30 June 2016, if market interest rates on USD denominated borrowings at variable rates were higher/lower by 100 basis (1%) point where all other variables held constant, higher/lower interest expense on borrowings at variable rates would cause net income for the period to be lower/higher by TL 7 thousand. Interest rate table is as follows:

30 June 2017	**Interest rate table**		
		Current period	**Previous period**
	Financial instruments with floating interest rates		
Financial liabilities	TL	11	47
Financial liabilities	USD	-	7

(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.

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 30 June 2017 and 31 December 2016, net carrying amounts and fair values of assets and liabilities as shown below:

30 June 2016	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	74,272	-	-	74,272	74,272	5
Financial investments	-	553,463	-	553,463	553,463	6
Trade receivables from third parties	376,295	-	-	376,295	376,295	-
Other receivables from third parties	51,601	-	-	51,601	51,601	-
Trade receivables from related parties	648,918	-	-	648,918	648,918	23.3
Financial liabilities						
Trade payables to third parties	-	-	841,743	841,743	841,743	8.2
Trade payables to related parties	-	-	30,293	30,293	30,293	23.7
Borrowings	-	-	2,586,714	2,586,714	2,586,714	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 2016	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Net carrying amount	Fair value	Note
Financial assets						
Cash and cash equivalents	89,098	-	-	89,098	89,098	5
Financial investments	-	550,350	-	550,350	550,350	6
Trade receivables from third parties	414,415	-	-	414,415	414,415	-
Other receivables from third parties	96,254	-	-	96,254	96,254	-
Other receivables from related parties	22	-	-	22	22	23.4
Trade receivables from related parties	799,371	-	-	799,371	799,371	23.3
Financial liabilities						
Trade payables to third parties	-	-	731,488	731,488	731,488	8.2
Trade payables to related parties	-	-	39,187	39,187	39,187	23.7
Borrowings	-	-	2,758,435	2,758,435	2,758,435	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:

	30 June 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets (Note 6)	-	553,463	-	553,463
Total financial assets	**-**	**553,463**	**-**	**553,463**

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

NOTE 26 – SUBSEQUENT EVENTS

The liquidation decision of Meiller-Doğuş Company which the Group has 49% share and whose activies have been suspended, has been taken and legal process for the liquidation has been started.