

DOĐUŐ OTOMOTİV SERVİS VE TİCARET A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2020
WITH AUDITOR'S REVIEW REPORT
(Originally issued in Turkish)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF INTERIM CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

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

Introduction

1. We have reviewed the accompanying condensed balance sheet of Dođuş Otomotiv Servis ve Ticaret A.Ş. (the “Company”), its subsidiaries and its joint ventures (“collectively referred as the “Group”) as at 30 September 2020, the condensed consolidated statement of income, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity, condensed consolidated cash flows and other explanatory notes for the nine-month period then ended (“interim condensed consolidated financial information”). The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 (“TAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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



Conclusion

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

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

Cihan Harman, SMMM
Partner

Istanbul, 9 November 2020

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

(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 SEPTEMBER 2020 AND 31 DECEMBER 2019

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

		<u>Reviewed</u>	<u>Audited</u>
		<u>30 September</u>	<u>31 December</u>
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	494,176	648,342
Trade receivables		1,563,770	745,346
<i>Trade receivables due from related parties</i>	22.1	1,267,236	542,311
<i>Trade receivables due from third parties</i>		296,534	203,035
Other receivables		110,297	135,510
<i>Other receivables due from related parties</i>	22.2	5,308	5,460
<i>Other receivables due from third parties</i>	9	104,989	130,050
Inventories	10	2,587,456	935,907
Prepayments		57,594	33,844
Current income tax assets	20	-	9,004
Other current assets		1,515	6,672
Total current assets		4,814,808	2,514,625
NON-CURRENT ASSETS			
Financial investments		561,463	561,463
<i>Financial assets measured at fair value through other comprehensive income</i>	6	561,463	561,463
Other receivables		9,823	6,771
<i>Other receivables due from related parties</i>	22.2	2,074	1,335
<i>Other receivables due from third parties</i>		7,749	5,436
Investments accounted for using equity method	11	616,986	452,264
Investment property	13	105,979	107,658
Property, plant and equipment	12	829,427	847,759
Right of use assets	24	83,023	111,005
Intangible assets		40,035	34,394
Prepayments		476	2,607
Deffered tax assets	20	46,285	26,398
Total non-current assets		2,293,497	2,150,319
TOTAL ASSETS		7,108,305	4,664,944

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

(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 September	31 December
		2020	2019
LIABILITIES			
CURRENT LIABILITIES			
Current borrowings	7	2,098,845	2,138,073
Short-term portion of long-term borrowings	7	49,133	63,860
Trade payables		2,094,149	713,263
<i>Trade payables to related parties</i>	22.5	120,415	47,573
<i>Trade payables to third parties</i>	8.2	1,973,734	665,690
Employee benefit obligations		35,899	18,648
Deferred income		59,051	24,098
Current tax liabilities	20	160,497	6,440
Current provisions		37,967	42,350
<i>Other current provisions</i>	14	37,967	42,350
Other current liabilities	15	229,580	86,438
Total current liabilities		4,765,121	3,093,170
NON-CURRENT LIABILITIES			
Long-term borrowings	7	241,149	236,119
Deferred income		7,395	6,087
Non-current provisions		96,046	77,027
<i>Non-current provisions for employee benefits</i>		59,122	50,280
<i>Other long-term provisions</i>		36,924	26,747
Deferred tax liabilities		6,140	-
Total non-current liabilities		350,730	319,233
TOTAL LIABILITIES		5,115,851	3,412,403
EQUITY			
Equity attributable to equity holders of the Company		1,984,578	1,245,251
Issued capital	16	220,000	220,000
Inflation adjustment on capital	16	23,115	23,115
Treasury shares (-)		(220,321)	(220,310)
Other accumulated comprehensive income (loss) that will not be reclassified in profit or loss		(25,862)	(24,322)
<i>Gains (losses) on revaluation and remeasurement</i>		(25,862)	(24,322)
<i>Gains (losses) on remeasurements of defined benefit plans</i>		(25,862)	(24,322)
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		481,076	481,376
<i>Exchange differences on translation</i>	16	1,747	2,047
<i>Gains (losses) on revaluation and reclassification</i>		479,329	479,329
<i>Gains (losses) from financial assets measured at fair value through other comprehensive income</i>	16	479,329	479,329
Restricted reserves appropriated from profits	16	405,822	397,068
<i>Legal reserves</i>		136,236	127,493
<i>Treasury share reserves</i>		220,321	220,310
<i>Other restricted profit reserves</i>		49,265	49,265
Prior years' profit or losses	16	359,570	292,547
Profit (loss) for the period		741,178	75,777
Non-controlling interests		7,876	7,290
TOTAL EQUITY		1,992,454	1,252,541
TOTAL EQUITY AND LIABILITIES		7,108,305	4,664,944

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

CONDENSED CONSOLIDATED INTERIM PROFIT OR LOSS STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER

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

		<u>Reviewed</u> For the nine month period ended 30 September 2020	<u>Reviewed</u> For the nine month period ended 30 September 2019	<u>Reviewed</u> For the three month period ended 30 September 2020	<u>Reviewed</u> For the three month period ended 30 September 2019
PROFIT OR LOSS	Notes				
Revenue		12,069,738	6,122,254	6,343,089	2,155,790
Cost of sales		(10,517,907)	(5,264,453)	(5,541,228)	(1,847,852)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		1,551,831	857,801	801,861	307,938
GROSS PROFIT (LOSS)		1,551,831	857,801	801,861	307,938
General administrative expenses	17.2	(314,391)	(322,387)	(107,096)	(108,061)
Marketing expenses	17.1	(224,047)	(243,351)	(94,980)	(89,565)
Other income from operating activities		92,867	68,736	60,309	14,288
Other expenses from operating activities		(64,427)	(75,330)	(22,736)	(39,594)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		1,041,833	285,469	637,358	85,006
Investment activity income	18	16,168	41,134	3,804	4,592
Share of profit (loss) from investments accounted for using equity method	11	175,553	82,542	89,112	61,720
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		1,233,554	409,145	730,274	151,318
Financial income	19	41,872	58,258	10,947	8,966
Financial expense	19	(356,134)	(493,140)	(99,583)	(124,600)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		919,292	(25,737)	641,638	35,684
Tax (expense) income, continuing operations		(174,485)	23,512	(127,234)	5,727
Current period tax (expense) income	20	(187,798)	(2,258)	(161,725)	1,015
Deferred tax (expense) income	20	13,313	25,770	34,491	4,712
PROFIT (LOSS) FROM CONTINUING OPERATIONS		744,807	(2,225)	514,404	41,411
PERIOD PROFIT/ LOSS FROM DISCONTINUED OPERATIONS		-	-	-	-
PROFIT (LOSS)		744,807	(2,225)	514,404	41,411
Profit (loss), attributable to					
Non-controlling interests		3,629	588	2,629	114
Owners of parent		741,178	(2,813)	511,775	41,297
Basic earnings per share					
Basic earnings(loss) per share from continuing operations	21	3.7433	(0.0142)	2.5847	0.2086
Diluted earnings per share					
Diluted earnings(loss) per share from continuing operations	21	3.7433	(0.0142)	2.5847	0.2086

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

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

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

	Notes	Reviewed For the nine month period ended 30 September 2020	Reviewed For the nine month period ended 30 September 2019	Reviewed For the three month period ended 30 September 2020	Reviewed For the three month period ended 30 September 2019
PROFIT (LOSS)		744,807	(2,225)	514,404	41,411
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss		(1,540)	(2,556)	(903)	(1,823)
Gains (losses) on remeasurements of defined benefit plans		(1,974)	(3,196)	(1,157)	(2,278)
<i>Other comprehensive income that will not be reclassified to profit or loss, tax effect</i>		434	640	254	455
Gains (losses) on remeasurements of defined benefit plans, tax effect	20	434	640	254	455
Other comprehensive income that will be reclassified to profit or loss		(300)	22,895	(322)	16,083
Foreign currency translation differences		(300)	477	(322)	(65)
<i>Gains (losses) on remeasuring and/or reclassification of available-for-sale-financial assets</i>		-	22,263	-	16,036
<i>Gains (losses) on remeasuring available-for-sale-financial assets</i>	6	-	22,263	-	16,036
Share of other comprehensive income of associates and joint ventures accounted for equity method that will be reclassified to profit or loss	11	-	1,268	-	913
<i>Other comprehensive income that will be reclassified to profit or loss, tax effect</i>		-	(1,113)	-	(801)
Gains (losses) on remeasuring or reclassification on available-for-sale-financial assets, tax effect	20	-	(1,113)	-	(801)
OTHER COMPREHENSIVE INCOME (LOSS)		(1,840)	20,339	(1,225)	14,260
TOTAL COMPREHENSIVE INCOME (LOSS)		742,967	18,114	513,179	55,671
Total comprehensive income attributable to					
Non-controlling interests		3,629	588	2,629	114
Owners of parent		739,338	17,526	510,550	55,557

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

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

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

	Issued capital (Note 16)	Inflation adjustments on capital (Note 16)	Treasury Shares (Note 16)	Accumulated other comprehensive income and expense that will not be reclassified through profit or loss	Accumulated other comprehensive income and expense that will be reclassified through profit or loss		Restricted Reserve (Note 16)	Accumulated earnings		Equity Attributable to equity holders of the Company	Non-controlling interests (Note 16)	Total Equity
				Gains / (losses) on remeasurements of defined benefit plans (Note 16)	Foreign currency translation difference (Note 16)	Gains / (Losses) on remeasuring of available-for-sale financial assets (Note 16)		Retained Earnings / (Accumulated Losses) (Note 16)	Net profit/loss for the period			
Balance at 1 January 2019	220,000	23,115	(220,288)	(20,519)	1,473	486,690	460,402	217,534	133,157	1,301,564	6,308	1,307,872
Transfers	-	-	-	-	-	-	1,429	131,728	(133,157)	-	-	-
Total comprehensive income (loss)	-	-	-	(2,556)	477	22,418	-	-	(2,813)	17,526	588	18,114
Profit (loss) for the period	-	-	-	-	-	-	-	-	(2,813)	(2,813)	588	(2,225)
Other comprehensive income (loss)	-	-	-	(2,556)	477	22,418	-	-	-	20,339	-	20,339
Balance at 30 September 2019	220,000	23,115	(220,288)	(23,075)	1,950	509,108	461,831	349,262	(2,813)	1,319,090	6,896	1,325,986
Balance at 1 January 2020	220,000	23,115	(220,310)	(24,322)	2,047	479,329	397,068	292,547	75,777	1,245,251	7,290	1,252,541
Transfers	-	-	-	-	-	-	8,743	67,034	(75,777)	-	-	-
Total comprehensive income (loss)	-	-	-	(1,540)	(300)	-	-	-	741,178	739,338	3,629	742,967
Profit (loss) for the period	-	-	-	-	-	-	-	-	741,178	741,178	3,629	744,807
Other comprehensive income (loss)	-	-	-	(1,540)	(300)	-	-	-	-	(1,840)	-	(1,840)
Dividends	-	-	-	-	-	-	-	-	-	-	(3,043)	(3,043)
Income (loss) due to share repurchase transactions	-	-	(11)	-	-	-	11	(11)	-	(11)	-	(11)
Balance at 30 September 2020	220,000	23,115	(220,321)	(25,862)	1,747	479,329	405,822	359,570	741,178	1,984,578	7,876	1,992,454

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

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

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

	Notes	Reviewed 30 September 2020	Reviewed 30 September 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES:		186,598	800,888
Profit (loss)		744,807	(2,225)
Profit (loss) from continued operations		744,807	(2,225)
Adjustments to for profit (loss) for the period reconciliation:		601,131	481,801
Adjustments for depreciation and amortization expense	17.2	95,417	96,935
Adjustments for (reversal of) impairment		7,523	1,810
Adjustments for (reversal of) impairment loss of receivables		2,929	860
Adjustments for (reversal of) impairment loss of inventories	10	4,594	950
Adjustments for provisions		257,162	158,387
Adjustments for provisions for employee benefits		8,529	8,794
Adjustments for (reversal of) lawsuit and/or penalty provision expenses		1,794	5,404
Adjustments for (reversal of) warranty provisions		72,532	103,396
Adjustments for (reversal of) other provisions		174,307	40,793
Adjustments for interest (income) and expense		243,239	355,643
Adjustments for interest income	19	(41,872)	(58,258)
Adjustments for interest expense	19	285,111	413,901
Adjustments for unrealized foreign exchange losses (gains)		15,026	16,214
Adjustments for undistributed profits of investments accounted for using equity method	11	(175,553)	(82,542)
Adjustments for tax (income) expenses	20	174,485	(23,512)
Adjustments for losses (gains) on disposal of non-current assets		(16,168)	(18,871)
Adjustments for losses (gains) on disposal of property, plant and equipment	18	(16,168)	(18,871)
Adjustments for losses (gains) on disposal of associates or joint ventures		-	(22,263)
Changes in working capital		(1,067,078)	417,200
Adjustments for decrease (increase) in trade receivables		(824,018)	20,903
Decrease (increase) in due from related parties		(724,925)	(39,960)
Decrease (increase) in due from third parties		(99,093)	60,863
Adjustments for decrease (increase) in inventories		(1,656,142)	(215,548)
Adjustments for increase (decrease) in trade payables		1,206,579	377,741
Increase (decrease) in due to related parties		72,842	(60,409)
Increase (decrease) in due to third parties		1,133,737	438,150
Increase (decrease) in deferred income		36,261	17,173
Adjustments for other increase (decrease) in working capital		170,242	216,931
Cash flows from operations		278,860	896,776
Payments related with provisions for employee benefits		(1,661)	(3,328)
Payments related with other provisions		(65,863)	(113,523)
Income taxes refund (paid)		(24,738)	20,946
Other cash inflows (outflows)		-	17
Net cash flows on discontinuing operations		-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES		(21,629)	57,154
Cash inflows caused by share sales or capital decrease of associates and/or joint ventures		(942)	-
Cash inflow by proceeds from sales of property, plant and equipment and intangible assets		26,798	40,355
Cash inflow by proceeds from sales of property, plant and equipment		26,798	40,355
Cash outflow by acquisition of property, plant and equipment and intangible assets		(59,258)	(34,256)
Cash outflow by acquisition of property, plant and equipment	12	(34,438)	(18,648)
Cash outflow by acquisition of intangible assets		(24,820)	(15,608)
Dividends received		11,773	51,055
C. CASH FLOWS FROM FINANCING ACTIVITIES		(312,692)	(450,721)
Proceeds from issuance of borrowings		690,707	1,671,358
Repayments of borrowings		(703,992)	(1,695,711)
Cash outflows on debt payments from leasing agreements		(33,703)	(70,228)
Dividends paid		(3,043)	-
Interest paid		(304,533)	(414,398)
Interest received		41,872	58,258
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE		(147,723)	407,321
EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(147,723)	407,321
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(6,443)	(999)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(154,166)	406,322
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	648,342	365,892
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	494,176	772,214

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

DOĞUŞ OTOMOTİV SERVİS VE TİCARET A.Ş.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Doğuş Otomotiv Servis ve Ticaret A.Ş. (“Doğuş Otomotiv” or the “Company”) was established on 24 November 1999 as a distributor of Volkswagen AG, and its activities include importing, marketing and selling automobiles and spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti and Scania, Scania 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 September 2020 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.
- D-Auto Limited Liability Company (“Doğuş Auto Iraq”) has been founded in Iraq Erbil on 6 August 2013 to execute distribution services of Volkswagen and Audi brands.

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

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

Maslak Mah. Ahi Evran Cad. No. 4 İç Kapı No. 3
Sarıyer, İstanbul, Türkiye.

Doğuş Auto Iraq is registered in Iraq and located at the address below:
Doktorlar Cad. Şirin Palas Otel Karşısı, Erbil, Iraq.

The average number of blue-collar employees of the Group for the period ended 30 September 2020 is 780 (31 December 2019: 826) whereas the average number of white-collar employees of the Group for the period ended 30 September 2020 is 1,347 (31 December 2019: 1,445).

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

2.1 Basis of Presentation of Condensed Consolidated Interim Financial Statements

(i) *Statement of Compliance to TAS*

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”), appendixes and interpretations. Additionally, the accompanying consolidated financial statements are presented in accordance with TAS taxonomy issued by POA on 15 April 2019. Businesses preparing a financial statement created in line with CMB legislation are free to prepare their interim financial statements as a full set or a summary, as per the TAS 34 “Interim Financial Reporting” standard. In this framework, the Group opted to prepare summary consolidated financial statements and prepared those summary consolidated financial statements in line with the provisions of the Communiqué.

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

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

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

(ii) *Preparation and approval of financial statements*

The condensed consolidated interim financial statements of the Group as at 30 September 2020 have been approved by the Board of Directors on 9 November 2020. The legal authorities of the General Assembly of the Company have the right to modify the issued financial statements.

(iii) *Correction on financial statements during hyperinflationary periods*

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” issued by TASB is no longer required for companies operating in Turkey. Accordingly, effective from 1 January 2005, TAS 29 did not applied in preparing the Group’s consolidated financial statements in accordance with CMB Financial Reporting Standards.

(iv) *Basis of measurement*

The condensed consolidated interim financial statements have been prepared based on the historical cost, except for the financial assets measured at fair value through other comprehensive income that measured at fair value.

(v) *Functional and Presentation Currency*

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

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

2.2 Amendments and interpretations in the TAS/IFRS

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the condensed consolidated interim financial statements as at 30 September 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group’s financial position and performance has disclosed in the related paragraphs.

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

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

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

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘‘Presentation of financial statements’’, and IAS 8, ‘‘Accounting policies, changes in accounting estimates and errors’’, and consequential amendments to other IFRSs:

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

Amendments to IFRS 9, IAS 39 and IFRS 7; Interest rate benchmark reform; effective from annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The standard did not have a material impact on the financial position or performance of the Group.

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The standard did not have a material impact on the financial position or performance of the Group.

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

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

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

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

IFRS 17, “Insurance contracts”; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

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

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

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

2.3 Basis of Consolidation

(i) Business Combinations

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

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

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

2.3 Basis of Consolidation (Continued)

(i) Business Combinations (Continued)

The Group measures goodwill at the acquisition date as:

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If necessary, adjustments regarding accounting policies are made on subsidiaries financial statements in order to equalize accounting policies applied by the Group.

For each business combination, the Group elects to measure any non-controlling interests in the acquire either:

- At fair value; or
- At their proportionate share of the acquirer's identifiable net assets, which are generally at fair value

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.

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

2.3 Basis of Consolidation (Continued)

(ii) Subsidiaries (Continued)

Losses of subsidiaries belongs to non-controlling interest shall be attribute to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial assets measured at fair value through other comprehensive income depending on the level of influence retained.

The table below sets out all the subsidiaries included in the scope of consolidation and shows the Group's share of control as at 30 September 2020 and 31 December 2019:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Doğuş Oto Pazarlama	96.20%	96.20%
D-Auto Irak	100.00%	100.00%

(iii) Joint Arrangements

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

- Joint operation – When the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – When the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint ventures are recognized as investments measured through equity method. The table below sets out all joint ventures and the Group's share of control as at 30 September 2020 and 31 December 2019.

	<u>30 September 2020</u>	<u>31 December 2019</u>
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Kuzey")	33.33%	33.33%
TÜVTURK Güney Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. ("TÜVTURK Güney")	33.33%	33.33%

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

2.3 Basis of Consolidation (Continued)

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but does not have control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

The table below sets out all the associates included in the scope of consolidation and shows the Group's share of control as at 30 September 2020 and 31 December 2019:

	<u>30 September</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto") (*)	50.00%	50.00%
Doğuş Sigorta Aracılık Hizmetleri A.Ş. ("Doğuş Sigorta")	42.00%	42.00%
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")	21.756%	21.756%

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

(v) Transactions Eliminated in Consolidation

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

2.4 Offsetting

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

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

2.5 Comparative Information

The Group has prepared the condensed consolidated interim statement of financial position as at 30 September 2020 comparatively with the consolidated statement of financial position as at 31 December 2019, 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 nine month period ended 30 September 2020 comparative to the nine month period ended 30 September 2019.

2.6 Significant Accounting Policies

The significant accounting policies have been applied consistently by the Group during the preparation of the condensed consolidated interim financial statements as at and for the nine months period ended 30 September 2020 with those consolidated financial statements for the year ended 31 December 2019.

2.7 Accounting Estimates

The preparation of the consolidated financial statements requires making judgments estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ the estimations.

Estimates and underlying assumptions are reviewed ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is stated in the following:

Group's tangible and intangible assets are depreciated and amortized in accordance with useful economic lives which is specified (Note 12).

The fair value of the financial assets measured at fair value through other comprehensive income that are not traded in an active market have been calculated by using other valuation methods such as nominal values, net carrying amount, acquisition price and discounted cash flows for non-public companies (Note 6).

The Group assesses whether there is any impairment indicator in investment properties and compares carrying values of the investment property with the fair value determined in the valuation report obtained by a property appraiser company licensed by CMB (Note 13).

The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 10).

To calculate the provisions for legal claims, the probability of losing the case and the liabilities that would arise if the case is lost, is evaluated by the Group's Legal Counselor and by the Group management team taking into account the expert opinions. The management determines the amount of the provisions based on the best estimates (Note 14.1).

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

2.7 Accounting Estimates (Continued)

The warranties on vehicles sold by the Group are issued by the original equipment manufacturers (“OEM”). The Group acts as an intermediary between the customers and the OEM. The claims of customers from the Group are recognized as warranty expense. The Group recognizes the amount claimed from the OEM’s as warranty income and offset against warranty expense. The Group incurs the cost that is not paid by the manufactures. Accordingly, the Group recognizes the estimated liability for the difference between possible warranty claims of customers and possible warranty claims from the manufacturers based on historical service statistics (Note 14.1).

Deferred tax asset is recognized to the extent that taxable profit will be available, against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax assets is recognized for all temporary differences.

Impact of Covid-19 outbreak on Group’s activities

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

The Group's dealer network continued to provide services by taking all necessary precautions during the pandemic, and the showroom visits and service entrances contracted compared to pre- pandemic period. After the factories, which are the supplier of the vehicles subject to the Group's sale, resume production, new vehicle imports started in May and the supply of new vehicles continued in line with the manufacturers' production plans. The Group continued its entire sales and service organization services during this period. With the decrease in restriction practices aimed at preventing the spread of the epidemic, the activities of the Group have reached above of their pre-pandemic levels as of the balance sheet date.

The Group management assumed this epidemic as a situation that does not require changes in long-term business plans as of the date the financial statements were approved. However, while preparing the interim consolidated financial statements dated September 30, 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, no impairment was detected in the interim consolidated financial statements dated 30 September 2020.

NOTE 3 - JOINT VENTURES

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

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NOTE 4 - OPERATING SEGMENTS

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

Group management believes that risk and rewards of the Group is strictly related with the changes in automotive sector and determined the Group's primary segments according to product types. Group's operating activities include importing, marketing and selling passenger and commercial vehicles, spare parts of Volkswagen Group brands (VW, Audi, Seat, Porsche, Bentley, Lamborghini, Bugatti, Scania, Scania 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, Thermoking climate systems, Scania marine engines and central office functions.

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

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

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

Segment information presented to the Group management for the nine and three month periods ended 30 September 2020 and 2019 are as follows:

For the nine month period ended 30 September 2020	Passenger segment	Commercial segment	Other segments	Total
Revenue from external customers	9,078,450	1,849,600	1,141,688	12,069,738
Cost of sales	(8,111,146)	(1,613,539)	(788,629)	(10,513,314)
Gross profit	967,304	236,061	353,059	1,556,424
General administration expenses	(95,986)	(15,931)	(140,206)	(252,123)
Marketing expenses	(143,195)	(37,251)	(50,659)	(231,105)
Depreciation expenses	(28,864)	(4,336)	(45,723)	(78,923)
Other income from operating activities, net	29,081	1,058	2,661	32,800
Operating income	728,340	179,601	119,132	1,027,073

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NOTE 4 - OPERATING SEGMENTS (Continued)

For the nine month period ended 30 September 2019	Passenger Segment	Commercial segment	Other segments	Total
Revenue from external customers	4,165,850	764,734	1,191,670	6,122,254
Cost of sales	(3,777,252)	(679,401)	(806,852)	(5,263,505)
Gross profit	388,598	85,333	384,818	858,749
General administration expenses	(83,352)	(15,158)	(162,450)	(260,960)
Marketing expenses	(166,604)	(42,452)	(56,172)	(265,228)
Depreciation expenses	(26,294)	(4,190)	(48,845)	(79,329)
Other income from operating activities, net	(4,229)	(276)	(1,193)	(5,698)
Operating income	108,119	23,257	116,158	247,534
For the three month period ended 30 September 2020	Passenger Segment	Commercial segment	Other Segments	Total
Revenue from external customers	4,804,504	1,027,718	510,867	6,343,089
Cost of sales	(4,294,888)	(895,661)	(347,778)	(5,538,327)
Gross profit	509,616	132,057	163,089	804,762
General administration expenses	(36,095)	(6,407)	(45,618)	(88,120)
Marketing expenses	(58,079)	(15,412)	(18,720)	(92,211)
Depreciation expenses	(10,409)	(1,776)	(16,726)	(28,911)
Other income from operating activities net	33,453	1,074	3,737	38,264
Operating income	438,486	109,536	85,762	633,784
For the three month period ended 30 September 2019	Passenger Segment	Commercial segment	Other Segments	Total
Revenue from external customers	1,535,747	202,156	417,887	2,155,790
Cost of sales	(1,385,405)	(184,179)	(278,671)	(1,848,255)
Gross profit	150,342	17,977	139,216	307,535
General administration expenses	(31,452)	(4,899)	(57,596)	(93,947)
Marketing expenses	(62,146)	(13,942)	(20,510)	(96,598)
Depreciation expenses	(8,727)	(1,217)	(17,163)	(27,107)
Other income from operating activities, net	(16,621)	(1,199)	(4,337)	(22,157)
Operating income	31,396	(3,280)	39,610	67,726

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NOTE 4 - OPERATING SEGMENTS (Continued)

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

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019
Operating profit for reportable segments	1,027,073	247,534
Provision for legal exposures	(433)	(1,878)
Provision for employee termination benefits	7,383	11,896
Provision for unused vacation	(2,023)	(2,104)
Provision for diminution in value of inventories	(4,594)	(948)
Warranty provision expense	(8,028)	6,602
Depreciation and amortization	(16,493)	(17,606)
Share of profit of equity accounted investees	175,553	82,542
Income from investment activities	16,168	41,134
Finance expense, net	(314,262)	(434,882)
Other	38,948	41,973
Profit before tax	919,292	(25,737)

	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Operating profit for reportable segments	633,784	67,726
Provision for legal exposures	19	635
Provision for employee termination benefits	4,160	8,075
Provision for unused vacation	(1,351)	(1,020)
Provision for diminution in value of inventories	(2,901)	404
Warranty provision expense	(7,798)	1,940
Depreciation and amortization	(2,959)	(3,603)
Share of profit of equity accounted investees	89,112	61,720
Income from investment activities	3,804	4,592
Finance expense, net	(88,636)	(115,634)
Other	14,404	10,849
Profit before tax	641,638	35,684

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS

As at 30 September 2020 and 31 December 2019, cash and cash equivalents comprise the following:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Cash on hand	295	172
Cash at banks	493,881	648,170
- Demand deposits	368,204	121,748
- Time deposits / reverse repo	125,315	526,109
- Other cash and cash equivalents	362	313
Total	<u>494,176</u>	<u>648,342</u>

As at 30 September 2020, average effective interest rate on TL denominated time deposits 11.16% (31 December 2019: TL 9.19%), As at 30 September 2020, maturity of time deposits is 1 day (31 December 2019: 1 day).

There is no blocked deposit as at 30 September 2020 and 31 December 2019.

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

NOTE 6 - FINANCIAL INVESTMENTS

As at 30 September 2020 and 31 December 2019, available-for-sale financial assets comprise of the following:

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Ownership interest (%)</u>	<u>Carrying amount</u>	<u>Ownership interest (%)</u>	<u>Carrying amount</u>
Doğuş Holding A.Ş. (“Doğuş Holding”)	3.69	561,463	3.69	561,463
		<u>561,463</u>		<u>561,463</u>

As of 31 December 2019, since Doğuş Holding is not publicly traded, fair value of Doğuş Holding is determined by using current market information’s for publicly traded companies under Doğuş Holding governance. Fair value of Doğuş Holding is also determined by using other valuation methods such as nominal values, net carrying amount, acquisition price and discounted cash flows for non-public companies under Doğuş Holding governance. Discounts were applied on the net asset value of Doğuş Holding.

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

	<u>2020</u>	<u>2019</u>
Balance at 1 January	561,463	567,259
Change in fair value of financial assets measured at fair value through other comprehensive income	-	22,263
Balance at 30 September	<u>561,463</u>	<u>589,522</u>

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

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NOTE 7 - BORROWINGS

As at 30 September 2020 and 31 December 2019, financial liabilities with the effective interest rates, comprise the following:

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short-term bank borrowings:				
TL denominated interest bearing borrowings	13.01%	2,076,792	24.99%	1,997,831
TL denominated non-interest bearing borrowings (*)	-	22,053	-	36,336
EUR denominated interest bearing borrowings	-	-	7.18%	103,906
Total		<u>2,098,845</u>		<u>2,138,073</u>

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short term portion of long term borrowings:				
TL denominated interest bearing borrowings	12%	19,416	17.91%	27,747
Total		<u>19,416</u>		<u>27,747</u>

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Long-term bank borrowings:				
TL denominated interest bearing borrowings	12%	161,761	17.91%	154,461
Total		<u>161,761</u>		<u>154,461</u>

(*) As at 30 September 2020, the Group has non-interest bearing TL denominated loans from various financial institutions amounting to TL 22,053 which have been obtained to pay value added taxes, custom taxes and special consumption taxes (31 December 2019: TL 36,336).

The repayment schedule of long-term bank borrowings including their short-term portions as at 30 September 2020 is as follows:

<u>Payment period</u>	<u>Original amount (TL)</u>	<u>TL equivalent</u>
2020	5,049	5,049
2021	18,923	18,923
2022	157,205	157,205
Total	<u>181,177</u>	<u>181,177</u>

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NOTE 7 - BORROWINGS (Continued)

The repayment schedule of long-term bank borrowings including their short-term portions as at 31 December 2019 is as follows:

<u>Payment period</u>	<u>Original amount (TL)</u>	<u>TL equivalent</u>
2020	27,747	27,747
2021	154,461	154,461
Total	182,208	182,208

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

Movement of financial borrowings as 30 September 2020 are summarized below:

<u>Bank Borrowings</u>	<u>2020</u>	<u>2019</u>
Balance at 1 January	2,320,281	2,710,665
Additions during the period	690,707	1,671,358
Payments during the period	(703,992)	(1,695,711)
Foreign exchange (gains) / losses	13,896	16,113
Changes in interest accrual	(40,870)	(21,623)
Balance at 30 September	2,280,022	2,680,802

As of 30 September 2020 and 31 December 2019, the details of the financial lease liabilities are as follows:

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Short term portion of long term leases:				
TL leases	25.68%	24,460	25.68%	28,645
EUR leases	5.57%	5,257	5.57%	7,468
Total		29,717		36,113
	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>Amount</u>	<u>Interest rate (%)</u>	<u>Amount</u>
Long term leases:				
TL leases	25.68%	79,388	25.68%	79,625
EUR leases	-	-	5.57%	2,033
Total		79,388		81,658

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

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NOTE 7 - BORROWINGS (Continued)

Movement of financial lease liabilities is as follows:

	2020	2019
Balance at 1 January	117,771	147,642
Additions	8,567	6,095
Prepayments	-	(23,381)
Payments	(33,703)	(46,847)
Disposals	(6,108)	-
Interest expenses	21,448	21,126
Foreign exchange gain/loss	1,130	101
Balance at 30 September	109,105	104,736

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

8.1 Trade Receivables

Guarantees received for trade receivables due from non-related parties

Significant portion of the other trade receivables due from third parties is comprised of receivables from the dealers and fleet customers. The Group's management established an effective control system over the dealers and monitors the credit risk of the dealers arising from the transactions. The Group requests letters of guarantee for vehicle and spare parts sales from customers. As at 30 September 2020, TL 88,880 of trade receivables due from third parties are covered via letters of guarantee (31 December 2019: TL 78,892).

As at 30 September 2020, overdue trade receivables due from non-related parties that are not impaired amount to TL 16,820 (31 December 2019: TL 34,643). TL 1,128 of such overdue receivables are covered via guarantee letters (31 December 2019: TL 1,388).

As at 30 September 2019, the Group's average maturity of trade receivables due from third parties is 35 days (31 December 2019: 28 days).

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

8.2 Trade Payables

As at 30 September 2020 and 31 December 2019, trade payables to third parties consist of the following:

	30 September 2020	31 December 2019
Payables to OEM companies	1,730,349	531,324
Dealer premium accrual (*)	174,307	-
Other trade payables (**)	68,046	49,201
Other expense accruals	1,032	2,057
Payables to dealers (*)	-	83,108
Total	1,973,734	665,690

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

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

8.2 Trade Payables (Continued)

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 2019: 1% per annum).

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

(**) Other trade payables include Group's payables to service and material suppliers.

Foreign currency and liquidity risk exposure of trade payables are presented under Note 23.

NOTE 9 - OTHER RECEIVABLES

As at 30 September 2020 and 31 December 2019, other receivables due from third parties comprise of the following:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Warranty claims and price difference receivables (*)	81,322	107,235
Receivables due to insurance claims	17,595	14,893
Other	6,072	7,922
Total	<u>104,989</u>	<u>130,050</u>

(*) Warranty receivables represent the receivable of the warranty expenses related to the vehicles imported by the Group. As at 30 September 2020, the other receivables that has not been billed are TL 41,082 (31 December 2019: TL 38,965).

NOTE 10 - INVENTORIES

As at 30 September 2020 and 31 December 2019, inventories comprise of the following:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Goods in transit (*)	1,778,016	551,631
Merchandise stocks – vehicles	557,942	239,894
Merchandise stocks – spare parts	262,524	150,814
	<u>2,598,482</u>	<u>942,339</u>
Provision for diminution in the value of inventories, net (-)	(11,026)	(6,432)
Total	<u>2,587,456</u>	<u>935,907</u>

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

The cost of inventories recognized as expense and included in cost of sales amounted to TL 10,429,031 for the nine month period ended 30 September 2020 (30 September 2019: TL 5,179,943).

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

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NOTE 10 - INVENTORIES (Continued)

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

	<u>2020</u>	<u>2019</u>
Balance at 1 January	6,432	4,932
Additions in the current period	4,594	950
Balance at 30 September	11,026	5,882

NOTE 11 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As at 30 September 2020 and 31 December 2019, investment in associates, joint ventures and the Group’s share of control are as follows:

	<u>30 September 2020</u>		<u>31 December 2019</u>	
	<u>Ownership (%)</u>	<u>Carrying amount</u>	<u>Ownership (%)</u>	<u>Carrying amount</u>
<u>Associates</u>				
VDF	48	132,130	48	107,127
Doğuş Sigorta	42	38,738	42	37,138
Yüce Auto	50	68,599	50	29,681
VDF Servis	38.22	111,528	38.22	111,551
Doğuş Teknoloji	21.76	34,354	21.76	35,486
Total		385,349		320,983
<u>Joint ventures</u>				
TÜVTURK Kuzey - Güney	33.33	231,637	33.33	131,281
Total		231,637		131,281
Grand total		616,986		452,264

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

	<u>2020</u>	<u>2019</u>
Balance at 1 January	452,264	374,659
Shares in profits of associates, net	75,196	(5,877)
Shares in profits of joint ventures, net	100,357	88,419
Change in fair value of available-for-sale financial assets held by associates	-	1,331
Dividend income from associates	(11,773)	(51,055)
Participation in capital increase of associates and joint ventures	942	-
Cash inflows caused by share sales or capital decrease of associates and/or joint ventures	-	22,263
Deferred tax effect in relation to change in fair value of available-for-sale financial assets held by associates	-	(63)
Balance at 30 September	616,986	429,677

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

As at 30 September 2020, 31 December 2019 and 30 September 2019, total assets, liabilities and results of the periods of the Group's associates and joint ventures are presented below:

	30 September 2020						30 September 2020		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	7,728,795	2,471,760	10,200,555	8,327,030	932,414	9,259,444	3,816,315	(3,649,701)	166,614
Joint ventures	673,799	854,187	1,527,986	437,691	395,388	833,079	2,313,225	(2,011,010)	302,215
	31 December 2019						30 September 2019		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Income	Expenses (-)	Net profit/(loss)
Investment in associates	6,300,779	1,361,244	7,662,023	6,335,346	570,136	6,905,482	2,040,835	(2,061,022)	(20,187)
Joint ventures	323,854	866,422	1,190,276	391,295	411,143	802,438	1,881,632	(1,618,045)	263,587

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FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER**

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

As at 30 September 2020, 31 December 2019 and 30 September 2019, cash and cash equivalents, current and non-current liabilities, amortization and depreciation expenses, interest income and expenses are presented below:

	30 September 2020			30 September 2020				
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Revenues	Amortization and depreciation expenses	Interest income	Interest expense	Tax expense
Subsidiaries	615,323	6,791,284	912,758	3,271,843	(31,618)	23,065	(143,803)	(42,257)
Joint Ventures	520,733	6,230	28,863	2,284,940	(21,036)	21,779	(3,553)	(92,781)
	31 December 2019			30 September 2019				
	Cash and cash equivalents	Short-term financial liabilities	Long-term financial liabilities	Revenues	Amortization and depreciation expenses	Interest income	Interest expense	Tax expense
Subsidiaries	360,902	5,438,317	561,892	1,907,210	(19,994)	20,730	(56,795)	5,388
Joint Ventures	194,183	5,297	24,146	1,850,954	(21,311)	25,074	(3,789)	(72,732)

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

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

Total depreciation expense amounting to TL 47,721 has been allocated to general administrative expenses in the condensed consolidated profit or loss statement for the nine month period ended 30 September 2020 (30 September 2019: TL 49,724).

As at 30 September 2020, Lien on land owned by the Group has been discharged to TL 440,000 (31 December 2019: TL 745,928).

As at 30 September 2020, borrowing cost amounting to TL 54,089 is capitalized on property and equipments (31 December 2019: TL 54,089).

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements in property and equipment and related accumulated depreciation for the nine month period ended 30 September 2019 are as follows:

	1 January 2019	Additions	Disposals	Transfers	Foreign currency translation difference	30 September 2019
<i>Cost:</i>						
Land	285,839	-	-	-	-	285,839
Land improvements	18,562	-	-	-	-	18,562
Buildings	484,370	705	-	-	-	485,075
Machinery and equipments	67,238	1,555	(744)	11	171	68,231
Motor vehicles	174,432	14,202	(39,730)	159	9	149,072
Furniture and fixtures	73,976	185	(5,261)	41	131	69,072
Leasehold improvements	123,930	21	(251)	-	1,930	125,630
Constructions in progress	879	1,980	-	(211)	-	2,648
	1,229,226	18,648	(45,986)	-	2,241	1,204,129
<i>Accumulated depreciation:</i>						
Land improvements	(12,960)	(551)	-	-	-	(13,511)
Buildings	(48,954)	(7,511)	-	-	-	(56,465)
Machinery and equipments	(33,382)	(4,249)	708	-	(90)	(37,013)
Motor vehicles	(48,401)	(25,558)	18,457	-	(9)	(55,511)
Furniture and fixtures	(47,015)	(6,132)	5,086	-	(123)	(48,184)
Leasehold improvements	(56,136)	(5,723)	251	-	(542)	(62,150)
	(246,848)	(49,724)	24,502	-	(764)	(272,834)
Carrying amount	982,378					931,295

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NOTE 13 - INVESTMENT PROPERTY

The movements in investment property and related accumulated depreciation for the nine months period ended 30 September 2020 and 2019 are as follows:

	2020	2019
Cost:		
Balance at 1 January	111,773	22,540
Balance at 30 September	111,773	22,540
Accumulated depreciation		
Balance at 1 January	(4,115)	(1,687)
Additions	(1,679)	(381)
Balance at 30 September	(5,794)	(2,068)
Net book value as of 1 January	107,658	20,853
Net book value as of 30 September	105,979	20,472

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

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

The fair value of the investment property has been determined by a CMB licensed property appraiser company in March 2019 and October 2020, the fair value of the Doğuş Teknoloji building amounts to TL 32,290 and TL 103,590 for Kartal Tower respectively (Level 2).

The useful life of the building that is classified as investment property is 50 years. In 2020, the Group has recognized TL 109 rent income from the related investment property (30 September 2019: TL 1,069).

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

14.1 Short-Term Provisions

The breakdown of short-term provisions as at 30 September 2020 and 31 December 2019 is presented below:

	30 September 2020	31 December 2019
Legal provisions	31,451	31,019
Warranty provisions	6,516	8,665
Other provisions	-	2,666
Total	37,967	42,350

The breakdown of other long-term provisions as at 30 September 2020 and 31 December 2019 is presented below:

	30 September 2020	31 December 2019
Warranty provisions	36,924	26,747
Total	36,924	26,747

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

14.2 Collaterals / Pledges / Mortgages / Bill of Guarantees Given

As at 30 September 2020, the Group's position related to letters of collaterals / pledges / mortgages / bill of guarantees guarantee given, pledges and mortgages ("CPMB") are as follows:

	30 September 2020				
	Total TL equivalent	Original balances			
		Full TL	Full USD	Full Euro	Full CHF
A. Total amount of CPMB given on behalf of own legal personality	2,748,711	509,583,887	-	245,300,460	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	35,526	35,526,024	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	93,461	25,000,000	-	7,500,000	-
D. Total amount of other CPMB	-	-	-	-	-
i. Total amount of CPMB given in favor of parent company	-	-	-	-	-
ii. The amount of CPMB given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of CPMB given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total CPMB	2,877,698	570,109,911	-	252,800,460	-

Other CPMBs given by the Group as at 30 September 2020 are equivalent to 0% of the Company's equity (31 December 2019: 0%).

As at 30 September 2020, CPMB amounting to TL 26,000 (31 December 2019: None) was given in favor of partnerships within the scope of consolidation is related to general loan agreements.

As at 31 December 2019, the Group's position related to letters of collaterals / pledges / mortgages / bill of guarantees guarantee given, pledges and mortgages ("CPMB") are as follows:

	31 December 2019				
	Total TL equivalent	Original balances			
		Full TL	Full USD	Full Euro	Full CHF
A. Total amount of CPMB given on behalf of own legal personality	2,645,688	509,120,551	-	321,259,400	-
B. Total amount of CPMB given in favor of partnerships which is consolidated	9,273	9,273,177	-	-	-
C. Total amount of CPMB given for assurance of third parties debts in order to conduct of usual business activities	74,880	25,000,000	-	7,500,000	-
D. Total amount of other CPMB	-	-	-	-	-
i. Total amount of CPMB given in favor of parent company	-	-	-	-	-
ii. The amount of CPMB given in favor of other group companies which B and C don't comprise	-	-	-	-	-
iii. The amount of CPMB given in favor of 3rd parties which C doesn't comprise	-	-	-	-	-
Total CPMB	2,729,841	543,393,728	-	328,759,400	-

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

14.3 Collaterals / Pledges / Mortgages / Bill of Guarantees Received

As at 30 September 2020 and 31 December 2019, the Group's position related to letter of guarantees received are as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Letters of guarantees received from dealers	89,365	80,133
Letters of guarantees received from fixed asset and service suppliers	37,873	31,963
Letter of guarantees received from fleet customers	34,850	14,000
Mortgages received from dealers	25,000	-
Total	<u>187,088</u>	<u>126,096</u>

NOTE 15 - OTHER CURRENT LIABILITIES

As at 30 September 2020 and 31 December 2019, other current liabilities comprise of the following:

	<u>30 September 2020</u>	<u>31 December 2019</u>
VAT payable	228,619	77,850
Other current liabilities	961	8,588
Total	<u>229,580</u>	<u>86,438</u>

NOTE 16 - EQUITY

Issued Capital

As at 30 September 2020, the registered capital of the Company is TL 220,000 (31 December 2019: TL 220,000). The paid-in share capital of the Company comprises of 220.000.000 units of registered shares with a nominal value of TL 1 each. There is no different type of share and no privilege given to specific shareholders. The Company's registered authorized capital ceiling is TL 660,000.

As at 30 September 2020 and 31 December 2019, the composition of the Company's shareholding structure is as follows:

Shareholders	<u>30 September 2020</u>		<u>31 December 2019</u>	
	TL	Shareholding (%)	TL	Shareholding (%)
Doğuş Holding	165,585	75.27	165,585	75.27
Doğuş Otomotiv Servis ve Ticaret A.Ş. (*)	22,000	10.00	22,000	10.00
Publicly traded	32,415	14.73	32,415	14.73
Paid-in capital	<u>220,000</u>	<u>100.00</u>	<u>220,000</u>	<u>100.00</u>
Inflation adjustment difference	23,115		23,115	
Total	<u>243,115</u>		<u>243,115</u>	

(*) 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.

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NOTE 16 - EQUITY (Continued)

Restricted reserves appropriated from profits

The breakdown of restricted reserves is presented below:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Treasury share reserves	220,321	220,310
Legal reserves	136,236	127,493
Special reserves	49,265	49,265
Total	<u>405,822</u>	<u>397,068</u>

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside as up to 5% of the distributable income per the statutory accounts each year. The ceiling of the first level reserves is 20% of the paid-in share capital. In case of a profit distribution in accordance with CMB regulations, second level legal reserves are set aside by rate of 1/10 for all cash distribution exceeding 5% of the share capital. In case of a profit distribution in accordance with statutory records, second level legal reserves are set aside by rate of 1/11 for all cash distribution exceeding 5% of the share capital. First and second level legal reserves cannot distributed until they exceed 50% of the capital, but the reserves can solely be used for offsetting the losses in case of running out of arbitrary reserves. In Accordance with CMB Regulations, legal reserves shall presented under “restricted reserves appropriated from profits”. As at 30 September 2020, the legal reserves of the Group amounted to TL 136,236 (31 December 2019: TL 127,493).

The 75% portion of gains amounting to TL 49,265 arising from the sale of participation share on joint venture and associates on 6 September 2013 and 16 February 2015 respectively recognized in statutory financial statements has been reclassified as “special reserves”, As at 30 September 2020, the special reserves of the Group amounted to TL 49,265 (31 December 2019: TL 49,265).

Treasury shares

The Group reacquired its own shares that are traded on Borsa Istanbul A.Ş in accordance with the Communique on Buy Backed Shares (II-22.1) announced by CMB. In this context, as of 31 December 2016, the Group reacquired its own 22,000,000 units of registered shares that are equivalent to 10% portion of its issued capital at an amount of TL 220,274 and accounted as "Treasury shares" under the equity. Additionally, the Group classified “Treasury share reserve” in the amount of the value of the reacquired shares under “Restricted reserves appropriated from profits” in accordance with the relevant communique.

Gains (Losses) on remeasurements of defined benefit plans

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

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NOTE 16 - EQUITY (Continued)

Retained earnings/(Accumulated losses)

Accumulated profits other than net current year profit and extraordinary reserves are classified under retained earnings. As at 30 September 2020, retained earnings are TL 359,570 (31 December 2019: TL 292,547).

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

Financial assets measured at fair value through other comprehensive income are recognized in consolidated financial statements at their fair values. The valuation differences realized at the reporting date in carrying amount of the financial assets is recognized in “gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income” account under equity in the consolidated financial statements. As at 30 September 2020, gains (losses) on remeasuring and/or reclassification of financial assets measured at fair value through other comprehensive income of the Group amounted to TL 479,329 (31 December 2019: TL 479,329).

Foreign currency translation differences

Foreign currency translation differences comprise the foreign currency exchange rate differences arising from the translation of the financial statements on foreign currencies from functional currency to the presentation currency of the Group. As at 30 September 2020, the foreign currency translation differences of the Group amounted to TL 1,747 (31 December 2019: TL 2,047).

Dividend

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

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

In the General Assembly Meeting which was held on 30 March 2020, it has been decided to retain the previous year’s distributable 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 consolidated financial statements. As at 30 September 2020 and 31 December 2019, the related amounts in the “non-controlling interests” in the consolidated financial statements are TL 7,876 and TL 7,290 respectively. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the “non-controlling interests” in the consolidated profit or loss statement.

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NOTE 17 - MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
General administrative expenses	314,391	322,387	107,096	108,061
Marketing expenses	224,047	243,351	94,980	89,565
Total	538,438	565,738	202,076	197,626

17.1 Marketing Expenses

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Warranty expenses, net	72,532	103,396	32,702	37,202
Personnel expenses	56,806	51,910	23,657	19,378
Distribution expenses	55,561	42,257	25,173	14,638
Advertising expenses	29,591	37,438	9,850	15,028
Customer service expenses	7,624	5,414	3,456	2,159
Support expenses	1,933	2,936	142	1,160
Total	224,047	243,351	94,980	89,565

17.2 General Administrative Expenses

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Personnel expenses	116,412	127,473	43,387	44,919
Depreciation and amortization expenses	95,417	96,935	31,872	30,710
Building expenses	32,290	29,182	10,855	9,955
Maintenance expenses	23,606	19,743	8,372	6,606
Consultancy expenses	8,742	7,967	3,339	2,536
Donation expenses	8,123	2,462	18	1,431
Insurance expenses	7,376	7,717	2,508	2,532
Vehicle expenses	4,713	6,128	1,935	1,621
Travelling expenses	1,940	5,054	11	2,226
Communication expenses	1,625	1,686	575	558
Rent expenses	897	503	158	-
Corporate governance expenses	575	1,814	-	618
Other	12,675	15,723	4,066	4,349
Total	314,391	322,387	107,096	108,061

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NOTE 18 - INVESTMENT ACTIVITY INCOME

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Gain on sale of property and equipment	16,168	18,871	3,804	4,495
Gain on disposal of associate (Note 11)	-	22,263	-	97
Total	16,168	41,134	3,804	4,592

NOTE 19 - FINANCE INCOME AND EXPENSES

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Interest expense on borrowings	263,663	392,775	69,880	127,971
Commission expenses on letters of guarantee	45,044	36,945	13,895	15,998
Interest expense on lease liabilities	21,448	21,126	10,720	7,302
Foreign exchange losses on borrowings net	13,896	16,113	-	(42,903)
Other	12,083	26,181	5,088	16,232
Total	356,134	493,140	99,583	124,600

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

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Interest income	41,872	58,258	10,947	8,966
Total	41,872	58,258	10,947	8,966

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NOTE 20 - TAX ASSET AND LIABILITIES

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which include its subsidiaries and affiliates. According to tax considerations reflected in these consolidated financial statements have been calculated separately for each of the companies in the scope of the consolidation.

The Corporate Tax Law was amended by Law No.5520 dated 13 September 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable at a rate of 22% for 2020 (will be applied as 22% 2020 tax period) on the total income of the Company and its subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

As at 30 September 2020, enacted corporation tax rate is 15% for the subsidiary registered in Iraq according to local tax law (31 December 2019: 15%). According to Iraq tax laws, losses can be carried forward for offsetting against future taxable income for up to 5 years unless if it is not exceeded by the half of the income for each year.

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

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

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

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

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

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

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

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NOTE 20 - TAX ASSET AND LIABILITIES (Continued)

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years, are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to held in a fund account and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realized.

For the nine and three month periods ended 30 September, taxation charge comprise of the following:

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Deferred tax income/(expense)	13,313	25,770	34,491	4,712
Current tax expense	(187,798)	(2,258)	(161,725)	1,015
Total tax expense	(174,485)	23,512	(127,234)	5,727

For the period ended 30 September, the tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019
Profit before tax	919,292	(25,737)
Income tax using the Company's domestic tax rate	(202,244)	5,662
Disallowable expenses	(5,861)	(4,851)
Share of profit in equity accounted investees exempt from deferred tax calculation	38,622	18,159
Tax effect of exempted revenues	-	4,898
Other	(5,002)	(356)
Total tax expense	(174,485)	23,512

	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Profit before tax	641,638	35,684
Income tax using the Company's domestic tax rate	(141,160)	(7,850)
Disallowable expenses	(1,392)	(1,212)
Share of profit in equity accounted investees exempt from deferred tax calculation	19,605	8,702
Tax effect of exempted revenues	-	4,898
Other	(4,287)	1,189
Total tax expense	(127,234)	5,727

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NOTE 20 - TAX ASSET AND LIABILITIES (Continued)

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with Turkish Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. Tax rate is 22% for deferred tax assets and liabilities on temporary differences. Since the applicable tax rate has changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 30 September 2020 for the temporary differences expected to be realized within the year. However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized after 2020 (31 December 2019: 22%).

Deferred taxes

As at 30 September 2020 and 31 December 2019, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax asset		Deferred tax liabilities		Net deferred tax asset/(liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Fair value change of available-for sale financial assets	-	-	(23,725)	(23,725)	(23,725)	(23,725)
Land	-	-	(1,393)	(1,393)	(1,393)	(1,393)
Other tangible and intangible assets	-	-	(7,721)	(5,570)	(7,721)	(5,570)
Warranty provision, net	9,557	7,790	-	-	9,557	7,790
Legal provision	6,919	6,824	-	-	6,919	6,824
Provision for diminution in value of inventories	2,426	1,415	-	-	2,426	1,415
Employee termination benefit	9,599	8,099	-	-	9,599	8,099
Unused vacation liability	3,408	2,962	-	-	3,408	2,962
Dealer premium accrual	38,348	-	-	-	38,348	-
Carry forward tax losses	-	29,841	-	-	-	29,841
Other	2,727	155	-	-	2,727	155
Total deferred tax asset/(liabilities)	72,984	57,086	(32,839)	(30,688)	40,145	26,398
Net off tax	(26,699)	(30,688)	26,699	30,688	-	-
Total deferred tax assets/(liabilities)	46,285	26,398	(6,140)	-	40,145	26,398

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

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

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NOTE 20 - TAX ASSET AND LIABILITIES (Continued)

Deferred taxes (Continued)

The movements in temporary differences as at 30 September 2019 are as follows:

	1 January 2019	Recognized in the profit or loss	Recognized in other comprehensive income	30 September 2019
Fair value change of available-for-sale financial assets	(21,858)	-	(1,113)	(22,971)
Land	(1,393)	-	-	(1,393)
Other tangible and intangible assets	(1,290)	(2,215)	-	(3,505)
Warranty provision, net	8,880	(1,453)	-	7,427
Legal provision	5,741	363	-	6,104
Provision for diminution in value of inventories	1,085	209	-	1,294
Employee termination benefit	5,989	496	640	7,125
Unused vacation liability	2,200	434	-	2,634
Dealer premium accrual	-	8,974	-	8,974
Carry forward tax loss	-	17,133	-	17,133
Other	(1,352)	1,829	-	477
	<u>(1,998)</u>	<u>25,770</u>	<u>(473)</u>	<u>23,299</u>

Deferred tax assets arising from carry-forward tax losses are accounted when the Group forecasts taxable profits in foreseeable future. The Group has recognized deferred tax assets amounting to TL 149,206, from the carried-forward tax losses amounting to TL 29,841 as a 31 December 2019, and used these deferred tax assets as at 30 September 2020.

As at 30 September 2020, current income tax liabilities amounting to TL 160,497 (31 December 2019: TL 6,440) is comprised by tax provision for the year ended 30 September 2020.

As at 30 September 2020, the Group does not have any current period tax assets (31 December 2019: TL 9,004).

NOTE 21 – EARNINGS PER SHARE

Earnings per share is calculated by dividing net income attributable to equity holders of the Company for the period by the weighted average number of shares of the Company available during the period. For the nine and three month periods ended 30 September, earnings per share are calculated as follows:

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Net profit attributable to the equity holders of the Company	741,178	(2,813)	511,775	41,297
Number of basic shares	198,000,000	198,000,000	198,000,000	198,000,000
Basic/diluted earnings per share (in full TL)	3.7433	(0.0142)	2.5847	0.2086

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NOTE 22 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

22.1 Due from related parties

As at 30 September 2020 and 31 December 2019, Group's cash balances at related party banks are as follows:

22.1.1 Due from associates

	<u>30 September 2020</u>	<u>31 December 2019</u>
Yüce Auto	3,548	2,919
VDF	-	420
Total	3,548	3,339

22.1.2 Due from joint ventures

	<u>30 September 2020</u>	<u>31 December 2019</u>
TÜVTURK	23	8
Total	23	8

22.1.3 Due from other related parties

	<u>30 September 2020</u>	<u>31 December 2019</u>
VDF Faktoring Hizmetleri A.Ş. ("VDF Faktoring")	1,260,080	536,259
VDF Sigorta Aracılık Hizmetleri A.Ş.	835	1,046
VDF Filo Kiralama A.Ş.	8	429
Other	2,739	1,227
Total	1,263,662	538,961

22.1.4 Due from shareholders

	<u>30 September 2020</u>	<u>31 December 2019</u>
Doğuş Holding	3	3
Total	3	3
Grand Total	1,267,236	542,311

As of 30 September 2020, the Group imposes 1% interest charge on the receivables from related parties (31 December 2019: 1% per month).

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

22.2 Other receivables due from related parties

22.2.1 Other current receivables due from subsidiaries

	<u>30 September 2020</u>	<u>31 December 2019</u>
Doğuş Teknoloji	3,644	3,174
Total	3,644	3,174

22.2.2 Other current receivables due from related parties

	<u>30 September 2020</u>	<u>31 December 2019</u>
VDF Filo Kiralama A.Ş. (sublease receivables)	1,664	2,286
Total	1,664	2,286
Grand total	5,308	5,460

22.2.3 Other non-current receivables due from related parties

	<u>30 September 2020</u>	<u>31 December 2019</u>
VDF Filo Kiralama A.Ş. (sublease receivables)	2,074	1,335
Total	2,074	1,335

22.3 Current prepayments due from related parties

22.3.1 Current prepaid expenses

	<u>30 September 2020</u>	<u>31 December 2019</u>
Pozitif Arena Salon İşletmeleri A.Ş.	1,017	5,587
Doğuş Spor Kompleksi Yatırım ve İşletme A.Ş.	1,543	582
Other	456	631
Total	3,016	6,800

22.3.2 Advances given

	<u>30 September 2020</u>	<u>31 December 2019</u>
Doğuş Yayın Grubu A.Ş.	1,442	-
Total	1,442	-
Grand total	4,458	6,800

22.4 Current deferred income from related parties

22.4.1 Current deferred income from associates

	<u>30 September 2020</u>	<u>31 December 2019</u>
VDF	5	-
Total	5	-

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

22.4 Current deferred income from related parties (Continued)

22.4.2 Current deferred income from joint ventures

	<u>30 September 2020</u>	<u>31 December 2019</u>
TÜVTURK	397	-
Total	397	-
Grand total	402	-

22.5 Trade payables to related parties

22.5.1 Trade payables to associates

	<u>30 September 2020</u>	<u>31 December 2019</u>
Yüce Auto	106,994	22,213
Doğuş Teknoloji	6,372	5,224
VDF	2,163	523
Total	115,529	27,960

22.5.2 Trade payables to other related parties

	<u>30 September 2020</u>	<u>31 December 2019</u>
VDF Filo Kiralama A.Ş.	2,203	19
VDF Faktoring A.Ş.	473	205
Antur Turizm A.Ş.	106	3,382
VDF Sigorta Aracılık Hizmetleri A.Ş.	-	1
Pozitif Arena Konser Salon İşletmeleri A.Ş.	-	7,203
Other	728	739
Total	3,510	11,549

22.5.3 Trade payables to shareholders

	<u>30 September 2020</u>	<u>31 December 2019</u>
Doğuş Holding	1,376	8,064
Total	1,376	8,064
Grand total	120,415	47,573

22.6 Other current liabilities to related parties

22.6.1 Other current liabilities to other related parties

	<u>30 September 2020</u>	<u>31 December 2019</u>
D Otel Marmaris Turizm İşletmeciliği	191	-
Total	191	-

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

22.7 Related party transactions

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

22.7.1 Associates

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Sales and other income generating transactions:				
Sale of products and returns, net	13,807	11,212	5,959	3,165
Other income	23,398	15,819	11,853	6,347
Sale of services, net	291	417	108	145
Total	37,496	27,448	17,920	9,657
Purchases and expense incurring transactions:				
Inventory purchases	568,829	282,754	236,202	102,864
Incentives for consumer loans	8,421	55,215	5,224	27,953
Fixed asset purchases	23,977	14,900	9,214	5,674
Other purchases	33,734	35,475	14,617	14,145
Services rendered	15,108	12,969	5,257	4,228
Other expenses	213	291	127	60
Total	650,282	401,604	270,641	154,924

22.7.2 Joint ventures

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Sales and other income generating transactions:				
Sale of products and returns, net	162	893	95	278
Sale of services, net	64	28	34	13
Other incomes	-	2	-	2
Total	226	923	129	293
Purchases and expense incurring transactions:				
Services rendered	31	21	13	3
Other purchases	1	1	-	1
Total	32	22	13	4

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

22.7 Related party transactions (Continued)

22.7.3 Other related parties

a) Income generated from other related parties

For the nine month period ended 30 September 2020				
	Sale of products	Sale of services	Other income from operating activities	Total
VDF Filo	218,876	2,559	392	221,827
VDF Sigorta	8	1	4,943	4,952
VDF Faktoring	1	-	-	1
Other	234	39	832	1,105
	219,119	2,599	6,167	227,885
For the nine month period ended 30 September 2019				
	Sale of products	Sale of services	Other income from operating activities	Total
VDF Filo	68,059	2,138	117	70,314
VDF Sigorta	15	49	4,369	4,433
VDF Faktoring	3	3	-	6
Other	542	18	1,110	1,670
	68,619	2,208	5,596	76,423
For the three month period ended 30 September 2020				
	Sale of Products	Sale of services	Other income from operating activities	Total
VDF Filo	122,637	1,054	155	123,846
VDF Sigorta	2	-	2,323	2,325
VDF Faktoring	-	-	-	-
Other	168	19	759	946
	122,807	1,073	3,237	127,117
For the three month period ended 30 September 2019				
	Sale of products	Sale of services	Other income from operating activities	Total
VDF Filo	37,058	827	55	37,940
Other	410	43	2,317	2,770
	37,468	870	2,372	40,710

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

22.7 Related party transactions (Continued)

22.7.3 Other related parties (Continued)

b) Expenses arising from transactions with other related parties

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

For the nine month period ended 30 September 2019							
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	11,697	-	-	-	201	474	12,372
Doğuş Gayrimenkul Yatırım Ortaklığı	13,957	-	-	-	-	5,234	19,191
VDF Sigorta	67	-	-	-	-	69	136
Other	8,157	12	3,274	4,087	1,557	2,108	19,195
	33,878	12	3,274	4,087	1,758	7,885	50,894

For the three month period ended 30 September 2020							
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	94	-	-	-	70	60	224
Doğuş Gayrimenkul Yatırım Ortaklığı	1,537	-	-	-	-	4,561	6,098
VDF Sigorta	2	-	-	-	6	-	8
VDF Filo	3,041	-	14,482	-	4	-	17,527
VDF Factoring	-	-	-	1,232	-	-	1,232
Other	816	-	16	-	-	2,779	3,611
	5,490	-	14,498	1,232	80	7,400	28,700

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

22.7 Related party transactions (Continued)

22.7.3 Other related parties (Continued)

For the three month period ended 30 September 2019							
	Services rendered	Purchase of fixed assets	Purchase of inventory	Finance expenses	Other purchases	Other expenses from operating activities	Total
Antur Turizm	6,116	-	-	-	45	474	6,635
Doğuş Gayrimenkul Yatırım Ortaklığı	693	-	-	-	-	5,234	5,927
Other	227	-	777	1,798	539	1,768	5,109
	7,036	-	777	1,798	584	7,476	17,671

22.7.4 Transactions with shareholders

a) Income generated from shareholders

For the nine month period ended 30 September 2020				
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	9	3	-	12
	9	3	-	12

For the nine month period ended 30 September 2019				
	Sale of products	Sale of services	Income from investing activities	Total
Doğuş Holding	10	3	-	13
	10	3	-	13

For the three month period ended 30 September 2020				
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	4	1	-	5
	4	1	-	5

For the three month period ended 30 September 2019				
	Sale of Products	Sale of services	Income from investing activities	Total
Doğuş Holding	6	1	-	7
	6	1	-	7

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

22.7 Related party transactions (Continued)

22.7.4 Transactions with shareholders (Continued)

b) Expenses arising from transactions with shareholders

For the nine month period ended 30 September 2020					
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	10,483	-	96	-	10,579
	10,483	-	96	-	10,579
For the nine month period ended 30 September 2019					
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other expenses from operating activities	Total
Doğuş Holding	5,362	6	201	4,001	9,570
	5,362	6	201	4,001	9,570
For the three month period ended 30 September 2020					
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other purchases	Total
Doğuş Holding	1,980	-	96	-	2,076
	1,980	-	96	-	2,076
For the three month period ended 30 September 2019					
	Services rendered	Purchase of fixed assets	Purchase of inventory	Other expenses from operating activities	Total
Doğuş Holding	1,706	-	201	1,191	3,098
	1,706	-	201	1,191	3,098

22.8 Key management personnel compensation

	For the nine month period ended 30 September 2020	For the nine month period ended 30 September 2019	For the three month period ended 30 September 2020	For the three month period ended 30 September 2019
Salaries and other short-term				
employee benefits	17,912	30,538	6,749	11,535
Total	17,912	30,538	6,749	11,535

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

Remuneration of Board of Directors and senior executive who have administrative responsibilities, for the period ended 30 September 2020 and 2019 includes salaries, health insurance and employer shares of Social Security Institution.

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NOTE 23 - FINANCIAL INSTRUMENTS

Financial instruments and capital risk management

Financial risk factors

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

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

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

The following table sets out the Group's financial liability to equity ratio as at 30 September 2020 and 31 December 2019:

	30 September 2020	31 December 2019
Total financial liabilities	2,389,127	2,438,052
Cash and cash equivalents	(494,176)	(648,342)
Total financial liabilities, net	1,894,951	1,789,710
Total equity	1,992,454	1,252,541
Financial liabilities / equity ratio	0.95	1.43

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

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

(a) Credit risk

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

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

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

30 September 2020	Receivables				Bank deposits	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	1,267,236	296,534	7,382	112,738	493,881	-	-
- Guaranteed portion of the maximum exposure	-	88,880	-	-	-	-	-
A. Net carrying amount of financial assets which are neither impaired nor overdue (**)	1,265,170	279,714	7,382	112,738	493,881	-	-
B. Net carrying amount of financial assets which are overdue but not impaired (***)	2,066	16,820	-	-	-	-	-
C. Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	5,630	-	-	-	-	-
- Impairment (-)	-	(5,630)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	88,880	-	-	-	-	-
D. Off financial statement items with credit risks (****)	-	-	-	-	-	-	-

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

(**) As at 30 September 2020 and 31 December 2019, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 30 September 2020 and 31 December 2019, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 30 September 2020 and 31 December 2019, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

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

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NOTE 23 – FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

31 December 2019	Receivables				Bank deposits	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related parties	Other parties	Related parties	Other parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	542,311	203,035	6,795	135,486	648,170	-	-
- Guaranteed portion of the maximum exposure	-	78,892	-	-	-	-	-
A, Net carrying amount of financial assets which are neither impaired nor overdue (**)	542,311	168,392	6,795	135,486	648,170	-	-
B, Net carrying amount of financial assets which are overdue but not impaired (***)	-	34,643	-	-	-	-	-
C, Net carrying amount of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	2,701	-	-	-	-	-
- Impairment (-)	-	(2,701)	-	-	-	-	-
- Guaranteed portion of net values (*)	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed portion of net values (*)	-	78,892	-	-	-	-	-
D, Off financial statement items with credit risks (****)	-	-	-	-	-	-	-

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

(**) As at 30 September 2020 and 31 December 2019, information regarding to credit quality of trade receivables which are not past due or not impaired and restructured are indicated in Note 8.

(***) As at 30 September 2020 and 31 December 2019, information regarding to aging of receivables which are past due but not impaired are indicated in the table of aging analysis of receivables which are past due but not impaired.

(****) As at 30 September 2020 and 31 December 2019, maximum level of credit risk born in relation to letter of guarantees given in favor of related parties are indicated.

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(a) Credit risk (Continued)

Aging of past due receivables that are not impaired

As at 30 September 2020 and 31 December 2019, the aging of past due receivables that are not impaired are as follows:

30 September 2020	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	18,886	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc,	1,128	-	-	-	-

31 December 2019	Receivables		Deposits on banks	Derivative instruments	Other
	Trade receivables	Other receivables			
Past due 1-30 days	34,643	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
More than 5 years	-	-	-	-	-
Portion of assets overdue secured by guarantee etc,	1,388	-	-	-	-

(b) Liquidity risk

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

Risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties, The Group, in order to minimize liquidity risk, holds adequate cash and available line of credit (including factoring capacity), In this regard, as at 30 September 2020, the Group have lines of credit amounting to EUR 784,000, USD 360,000, CHF 5,000 and TL 3,662,500 (31 December 2019: lines of credit amounting to EUR 870,500, USD 360,000, CHF 5,000 and TL 3,662,500), The utilized portions of the aforementioned total credit lines are disclosed in Note 7.

In addition, the Group has a non-cash credit line obtained from underwriting banks amounting to EUR 243,035 equivalent to TL 2,218,448 (31 December 2019: EUR 273,035 equivalent to TL 1,815,847) that enables the Group to perform credit purchases from original equipment manufacturers with an option to pay in 12 months, The Group's credit card purchase limit amounting to EUR 189,274, amounting to TL 1,727,712 are utilized (31 December 2019: EUR 194,112 equivalent to TL 1,290,960 is used).

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The below tables show the financial liabilities of the Group according to their remaining maturities as at 30 September 2020 and 31 December 2019:

Contractual maturities	30 September 2020					
	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	2,280,022	2,447,519	70,063	2,182,034	195,422	-
Trade payables to related parties	120,415	120,415	120,415	-	-	-
Trade payables to third parties	1,973,734	1,973,734	202,161	1,771,573	-	-
Employee benefit obligations	35,899	35,899	35,899	-	-	-
Lease liabilities	109,105	180,615	12,359	40,779	95,784	31,693
Other current liabilities (*)	961	961	961	-	-	-
Total non-derivative financial liabilities	4,520,136	4,759,143	441,858	3,994,386	291,206	31,693
Contractual maturities	31 December 2019					
	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	2,320,281	2,589,249	540,929	1,838,126	210,194	-
Trade payables to related parties	47,573	47,573	47,573	-	-	-
Trade payables to third parties	665,690	665,690	153,526	512,164	-	-
Employee benefit obligations	18,648	18,648	18,648	-	-	-
Lease liabilities	117,771	205,899	10,259	29,691	149,147	16,802
Other current liabilities (*)	8,588	8,588	8,588	-	-	-
Total non-derivative financial liabilities	3,178,551	3,535,647	779,523	2,379,981	359,341	16,802

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

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency denominated payables to original equipment manufacturers and borrowings from financial institutions. This risk is monitored by the board of directors through periodic meetings. The Group's foreign currency position is managed through taking limited positions within limits recommended by executive board and approved by board of directors as well using derivative instruments where necessary.

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

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

Currency sensitivity analysis		
31 December 2019		
	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	(195)	195
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(195)	195
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	2,517	(2,517)
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	2,517	(2,517)
TOTAL (3+6)	2,322	(2,322)

Currency sensitivity analysis		
30 September 2019		
	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	(92)	92
2- USD risk averse portion (-)	-	-
3- Net USD effect (1+2)	(92)	92
Assumption of devaluation/appreciation by 10% of EUR against TL		
4- Net Euro asset/liability	(13,490)	13,490
5- Euro risk averse portion (-)	-	-
6- Net Euro effect (4+5)	(13,490)	13,490
TOTAL (3+6)	(13,582)	13,582

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

Foreign exchange rates for USD, EUR and Swiss Franc as at 30 September 2020, 31 December 2019 and 30 September 2019 are as follows:

	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>30 September 2019</u>
USD	7.8080	5.9402	5.6591
EUR	9.1281	6.6506	6.1836
CHF	8.4413	6.0932	5.6857

As at 30 September 2020, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	<u>30 September 2020</u>				
	<u>Total TL equivalent</u>	<u>Original balances</u>			
		<u>USD</u>	<u>EUR</u>	<u>CHF</u>	<u>Other</u>
Assets:					
Trade receivables	173	-	19	-	-
Monetary financial assets	140,797	7	15,415	3	18
Other monetary assets	1,883,237	14	206,300	-	-
Total assets	2,024,207	21	221,734	3	18
Trade payables	1,734,370	101	189,917	-	-
Financial liabilities	5,258	-	576	-	-
Other monetary liabilities	-	-	-	-	-
Current liabilities	1,739,628	101	190,493	-	-
Financial liabilities	-	-	-	-	-
Non-current liabilities	-	-	-	-	-
Total liabilities	1,739,628	101	190,493	-	-
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	284,579	(80)	31,241	3	18
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	37,432	375	3,780	-	-
Sureties and letters of guarantee given	2,307,584	-	252,800	-	-
Import	10,873,298	-	1,191,190	-	-

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(c) Currency risk (Continued)

As at 31 December 2019, net position of the Group is resulted from foreign currency assets and liabilities as shown below:

	31 December 2019				
	Total TL equivalent	Original balances			
		USD	EUR	CHF	Other
Assets:					
Trade receivables	173	-	26	-	-
Monetary financial assets	8,315	78	1,176	3	19
Other monetary assets	661,288	78	99,362	-	1
Total assets	669,776	156	100,564	3	20
Trade payables	532,742	446	79,706	-	-
Financial liabilities	111,371	-	16,746	-	-
Other monetary liabilities	192	10	20	-	-
Current liabilities	644,305	456	96,472	-	-
Financial liabilities	2,035	-	306	-	-
Non-current liabilities	2,035	-	306	-	-
Total liabilities	646,340	456	96,778	-	-
Net foreign currency liability position of derivative financial liabilities off statement of financial position	-	-	-	-	-
Net foreign currency (liability)/asset position	23,436	(300)	3,786	3	20
Monetary items net foreign (liability)/asset position					
Sureties and letters of guarantee taken	21,271	380	2,859	-	-
Sureties and letters of guarantee given	2,186,445	-	328,759	-	-
Import	7,292,354	-	1,096,496	-	-

As at 30 September 2020, goods-in-transit of the Group amount to EUR 194,785 equivalent to TL 1,778,016 (31 December 2019: Euro 82,945 equivalent to TL 551,631).

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(d) Market risk

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

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

Under the assumption of 10% increase/decrease in share prices as at 30 September 2020, all other variables held constant, the Group's equity would have been increased/decreased by TL 6,406 (31 December 2019: TL 5,657).

(e) Interest rate risk

As of 30 September 2020 and 31 December 2019, the Group does not have any floating interest rate loans.

(f) Fair value

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

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

As of 30 September 2020, within the scope of fair value sensitivity test performed by Group, under the assumption of 10% increase/decrease in Doğuş Holding shares value which belongs the the Group, the total assets and equity of the Group would increase/decrease by TL 59,261 and TL 58,611 respectively.

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.

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial assets (Continued)

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

Financial liabilities

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

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

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

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

As 30 September 2020 and 31 December 2019, net carrying amounts and fair values of assets and liabilities as shown below:

30 September 2020	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial liabilities at amortised cost	Net carrying amount	Fair value	Note
<u>Financial assets</u>						
Cash and cash equivalents	494,176	-	-	494,176	494,176	5
Financial investments	-	561,463	-	561,463	561,463	6
Trade receivables from third parties	296,534	-	-	296,534	296,534	-
Other receivables from third parties	112,738	-	-	112,738	112,738	-
Trade receivables from related parties	1,267,236	-	-	1,267,236	1,267,236	22.1
Other receivables from related parties	7,382	-	-	7,382	7,382	22.2
<u>Financial liabilities</u>						
Trade payables to third parties	-	-	1,973,734	1,973,734	1,973,734	8.2
Trade payables to related parties	-	-	120,415	120,415	120,415	22.5
Borrowings	-	-	2,280,022	2,280,022	2,280,022	7
Lease liabilities	-	-	109,105	109,105	109,105	7

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

31 December 2019	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial liabilities at amortised cost	Net carrying amount	Fair value	Note
<u>Financial assets</u>						
Cash and cash equivalents	648,342	-	-	648,342	648,342	5
Financial investments	-	561,463	-	561,463	561,463	6
Trade receivables from third parties	203,035	-	-	203,035	203,035	-
Other receivables from third parties	135,486	-	-	135,486	135,486	-
Trade receivables from related parties	542,311	-	-	542,311	542,311	22.1
Other receivables from related parties	6,795	-	-	6,795	6,795	22.2
<u>Financial liabilities</u>						
Trade payables to third parties	-	-	665,690	665,690	665,690	8.2
Trade payables to related parties	-	-	47,573	47,573	47,573	22.5
Borrowings	-	-	2,320,281	2,320,281	2,320,281	7
Lease liabilities	-	-	117,771	117,771	117,771	7

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

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NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Financial instruments and capital risk management (Continued)

Financial risk factors (Continued)

(f) Fair value (Continued)

Classification regarding fair value measurement

“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 September 2020			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Available-for-sale financial assets (Note 6)	-	561,463	-	561,463
Total financial assets	-	561,463	-	561,463
	31 December 2019			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Available-for-sale financial assets (Note 6)	-	561,463	-	561,463
Total financial assets	-	561,463	-	561,463

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

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NOTE 24 - RIGHT OF USE ASSET

As of 30 September 2020, the net book value of the right of use assets is TL 83,023 (30 September 2019: TL 118,160). As of 30 September 2020 and 2019, the balances of the right to use assets and the depreciation and amortization expenses during the period are as follows:

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

30 September 2019	Showroom and area leases	Motor vehicles	Other	Total
Right of use asset - 1 January 2019	128,215	12,556	-	140,771
Additions	4,689	1,406	-	6,095
Depreciation expenses	(24,594)	(4,112)	-	(28,706)
Right of use asset - 30 September 2019	108,310	9,850	-	118,160

As of 30 September 2020, TL 26,282 depreciation expense arising from the usage rights is accounted under general administrative expenses (30 September 2019: TL 28,706).

NOTE 25 - SUBSEQUENT EVENTS

None.

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